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OVERSIGHT ON GENERAL FARM AND FOOD PROGRAMS

HEARINGS

BEFORE THE

SUBCOMMITTEE ON RURAL DEVELOPMENT,
OVERSIGHT, AND INVESTIGATIONS

OF THE

COMMITTEE ON AGRICULTURE,
NUTRITION, AND FORESTRY
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

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CONTENTS

MINOT HEARING

Page
Andrews, Hon. Mark, a U.S. Senator from North Dakota, opening statement... 1

CHRONOLOGICAL LIST OF WITNESSES

Giffey, Ernest, president, North Dakota Association of Soil Conservation Districts ... 2
Trulson, Curt, secretary-treasurer, North Dakota Wheat Producers ... 4
Tossett, Wes, past president, North Dakota Wheat Producers ... 4
Berger, Jean, president, North Dakota chapter, Women Involved in Farm Economics ... 6
Anderson, Bruce, president, Ward County Farmers Union, and director, North Dakota Farmers Union ... 9
Christensen, L.D. "Lee", Kenmare, ND ... 13
Axtman, Ben, Rugby, ND ... 16
Slinde, Sanford and Gail, Velva, ND ... 21
Carlson, Robert and Mary, Glenburn, ND ... 24
Watson, Cecil, chairman, North Dakota Wheat Commission ... 28
Solberg, Thomas M., president, North Dakota Association of Rural Electric Cooperatives ... 29
Hanson, Orlin, South Dakota State Representative ... 32
Butcher, Dina, deputy commissioner of agriculture, State of North Dakota, representing Kent Jones, commissioner ... 34
    Jones, Kent, North Dakota Commissioner of Agriculture, prepared statement ... 36
Johnston, James, Sr., vice president, North Dakota Farm Bureau ... 37
Sands, Lt. Gov. Ernest M., State of North Dakota, representing Gov. Allen Olson ... 39
Green, Manvel, St. Thomas, ND ... 40
Konzak, Richard, chairman, commodity division, Farm Bureau, Devils Lake, ND ... 43
Bollingberg, John, State director, North Dakota Farm Bureau, Grandin, ND ... 44
Anderson, Floyd, member, board of directors, National Sunflower Association. 45
Ashley, Stephen M., Velva, ND ... 46
Martin, Lynn, Minot, ND ... 47
Nichols, Ron, Palermo, ND ... 50

LaMOURE HEARING

Andrews, Hon. Mark, a U.S. Senator from North Dakota, opening statement... 53

CHRONOLOGICAL LIST OF WITNESSES

Vetter, Mike, Jr., Napoleon, ND ... 54
Linderman, Ellen, Carrington, ND ... 57
Bergman, Alan, Jud, ND ... 60
Just, Myron, Berlin, ND ... 63
Hird, David, LaMoure, ND ... 68
Mueller, Phillip, Rogers, ND ... 72
Klosterman, Richard, Wyndmere, ND ... 73
Benedict, Pat, chairman, board of directors, American Crystal Sugar Co., Moorehead, MN ... 76
Braaten, Allan, Barney, ND ... 79

Page
DeWitz, Loren, Tappen, ND 80
Drummond, William, executive director, North Dakota Barley Council 81
Haugen, Monty, Milnor, ND 85
Hagensen, Florence, Mapleton, ND 89
Kinzler, Brunno, Monango, ND 90
Nesvig, Les, president, North Dakota Bankers Association 92
Brokaw, Jim, North Dakota State legislature, Forbes, ND 95
VanderWal, Willis, Pollock, SD 98

APPENDIX

Olson, Hon. Allen I., Governor, State of North Dakota, statement, with attached 13 point proposal of the National Governors' Association 101
North Dakota Wheat Commission, statement presented by Cecil Watson 109
Johnson, Leland H., chairman, North Dakota State Soil Conservation Committee, statement 109
Strege, Steven D., executive vice president, North Dakota Grain Dealers Association, statement 111
Jones, Kent, North Dakota Commissioner of Agriculture, statement 112
North Dakota Farmers Union, 1984 program of policy and action, Family Farm Credit Policy 113
North Dakota Farmers Union, agricultural programs for the family farm 115
Mueller, Phillip, Rogers, North Dakota, statement 117
National farm program positions adopted by the National Association of Wheat Growers board of directors 120
North Dakota Wheat Commission, Bismarck, North Dakota, statement 123
Towater, Lou, American Sugarbeet Growers Association, statement 125
Hart, Warren, Chaseley, ND, letter dated July 31, 1984, to Senator Andrews 127
Reff, Tommy, secretary, North Dakota Chapter of Farm Managers and Appraisers, letter dated July 27, 1984, to Senator Andrews 127

OVERSIGHT ON GENERAL FARM AND FOOD PROGRAMS

TUESDAY, AUGUST 21, 1984

U.S. SENATE,
SUBCOMMITTEE ON RURAL DEVELOPMENT,
OVERSIGHT, AND INVESTIGATIONS OF THE
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Minot, ND.

The subcommittee met, pursuant to notice, at 9 a.m., in the Ramada Inn, Hon. Mark Andrews (chairman of the subcommittee) presiding.

Present: Senator Andrews.

STATEMENT OF HON. MARK ANDREWS, A U.S. SENATOR FROM NORTH DAKOTA

Senator ANDREWS. This committee will come to order. As you know, this is an official hearing of the Senate Agriculture Subcommittee on Rural Development, Oversight, and Investigations. We're out in the field for three meetings in North Dakota. We will have other meetings in other parts of the country between now and the first of January in order to afford a better opportunity for farmers, implement dealers, smalltown business people, and others to testify on what shape the new farm act should take.

I want to thank you all for stopping by to share your thoughts and ideas concerning the direction agricultural policy should take. These hearings are designed as factfinding forums to discover the problems that you find with our current agricultural policy and perhaps of even greater importance, your ideas on how to change things for the better. All too often we hold these hearings in Washington and the people who testify are the paid representatives of various producer groups, various commodity organizations, and business organizations. I think, and I have thought for a long time, that you can find fresher, better ideas by going out to the field where the actual production decisions are being made, where the actual impact on the community of farm policy is felt. In my opinion, hearings such as these and the one that we'll hold in Dickinson, and the one we'll hold later on in LaMoure, are invaluable for learning the problems facing producers on a day-by-day basis.

Through hearings such as this, you have the opportunity to make sure that the Senate Committee on Agriculture has your suggestions and your ideas on record to act on when they put together a new 4-year farm bill. And as chairman of the Subcommittee on Rural Development, Oversight, and Investigations, I will, through these hearings, ensure that our North Dakota farmer has a voice in the direction of future agricultural policy.

The information gathered at these hearings will be forwarded to the Senate Committee on Agriculture, and of course, it will be a part of the overall hearing record as we move into revamping the 4-year farm bill. Not only revamping but reenacting it. Without such reenactment, there will be no farm bill.

We will then revert to the old permanent legislation which has a totally different set of price controls, and a lot of other things that I think would not be too pleasant out in the field.

I'd like to call our first witness Ernest Giffey, Jr. Welcome to the subcommittee hearing. The center chair is the one with the microphones in front of it and we have a copy of your statement. Do you have another copy of your statement?

Mr. **Giffey**. Yes.

Senator **Andrews**. It's good to have you here.

STATEMENT OF ERNEST GIFFEY, PRESIDENT, NORTH DAKOTA ASSOCIATION OF SOIL CONSERVATION DISTRICTS

Mr. **Giffey**. Thank you. Senator Andrews, others interested in agriculture. I'm Ernie Giffey, from Roseglen, a grain farmer, and I'm president of the North Dakota Association of Soil Conservation Districts, who I am representing today.

We appreciate the opportunity you have extended to our organization to submit our thoughts relative to the 1985 farm bill. Since our work is in the soil conservation area our comments will be related to conservation.

Our association policy position states our three major conservation concerns as being:

One, our unprotected acres or so-called black acres, especially during the nongrowing season.

Two, the large block-type farming brought about by larger machinery has caused measures such as tree windbreaks, grassed waterways, and stripcropping systems to be removed without full regard for the protection of the soil resource.

Three, in recent years, many acres of rolling pasture and rangeland have been converted to cropland use. In many cases, this has resulted in increased erosion on lands having severe limitations for cropland use and also has brought about increased saline seep conditions.

Our suggestions for the 1985 farm bill are as follows:

First, we need continuity of programs so producers can plan their conservation program along with their production plans over the long pull. Long-term planning leads to good conservation practices being installed.

Second, farmers should not be allowed to stay out of one program to seed extra acres and thus increase their base for future years. This is not fair to the participating farmer who is trying to control production and doing a good job of conservation by protecting his ACR acres. This is an incentive to stay out of the program so as to increase the base and it thus destroys the continuity of your conservation program. He could possibly be given a county average for a base.

Third, requiring cover for only the ACR acres only gets a small percentage of the acres that are normally black. We have a number of conservation farmers telling us cover should be required on all summer fallow as well as the ACR acreage. Flax strips do not do the job.

Fourth, present statutory requirements of the Agricultural Conservation Program and ASCS regulations limit cost sharing to $3,500 per farm per year with a maximum of $35,000 over the 10-year period of a long-term agreement. To get some of the more costly practices installed the payment for LTA cost share payments should be allowed upon completion of the practices.

Fifth, targeting of USDA funds has shown good accomplishments and we accept this as a good method of utilizing additional funds but we are concerned with the probability of USDA withdrawing these funds from regular programs that are already spread very thinly. We need long-term funding for this kind of new program so as not to destroy ongoing efforts and the technical help for the present efforts.

Sixth, we have people saying production must be cut and parity should be figured on domestic consumption of our grain. Others say we must export more of our products and that there is a market in foreign countries. Farmers are great producers and when challenged to raise more—they do. Usually this additional production has been detrimental to conservation because of the incentives offered for this production. We urge you to be careful in offering incentives that are contrary to good conservation. To the good conservation farmer it has been a large disincentive when he wished to protect his resource. The Soil Bank Program provided good erosion control. If we could convince the farmer to retire his poor land into conservation programs it should help the fellow that is already in economic trouble.

Seventh, if a farmer or rancher has destroyed beneficial conservation practices, which were cost shared at some prior time, and where such destruction continues to lead to sharply increased erosion, we favor withholding further Federal cost-sharing funds for additional measures until such time as the cooperator agrees to corrective procedures.

Eighth, we believe that SCS technical assistance and conservation cost sharing, used in combination, are effective aids to farmers and other landowners in getting conservation measures applied to the land. The 1985 program must recognize this fact.

Ninth, we are entering a new era in conservation tillage in the form of no till, minimum till, chemical fallow, and so forth. Agricultural research is needed so producers will know what the addition of chemicals, et cetera, means over the long pull. This research is in its infancy and although it probably doesn't relate to the 1985 farm bill it does relate to a healthy agriculture. We need evaluation of these kinds of research data.

Thank you for the opportunity to spend these few minutes with you talking about conservation and the farm program for 1985.

Senator **Andrews**. Thank you for an excellent statement.

Our next witness, from the North Dakota Wheat Producers, Curt Trulson and Wes Tossett. Do you want to appear together or do you want to appear separately?

Mr. TRULSON. It doesn't matter.

Senator ANDREWS. Well, Curt, you're on the hearing list first. Do you have a prepared statement?

Mr. TRULSON. No, I don't.

Senator ANDREWS. Do you have a prepared statement?

Mr. TOSSETT. No, I don't.

STATEMENT OF CURT TRULSON, SECRETARY-TREASURER, NORTH DAKOTA WHEAT PRODUCERS

Mr. TRULSON. My name is Curt Trulson from Stanley, ND, and I'm a member of the North Dakota Wheat Producers and presently the secretary-treasurer. I just had a couple of items that the wheat producers would like to mention about the up-coming farm program. We'd like to see at least a 3-year program enacted. And if at all possible early enough that we may make some plans for both our credit and our crop rotation and also our longer term financing as far as land buying. Another thing, on the economy. We feel that the Federal deficit may be responsible for farm economy ills. Including high interest rates and the low farm exports. We must work to balance a budget to get the interest rates down and Government away from the competing for dollars. It's very tough for all farmers, especially the young ones, to go to the bank and compete against the Government for free dollars that we have. One more thing, on the exports. We can raise the grain and get rid of it but our exports must be worked on fruitfully. I guess that's about all I have.

Senator ANDREWS. Curt, that's a good statement. I'm intrigued by your saying that you're troubled by the massive Federal deficit and what it does to farmers.

Thank you for your statement. Wes, do you have a prepared statement?

STATEMENT OF WES TOSSETT, PAST PRESIDENT, NORTH DAKOTA WHEAT PRODUCERS

Mr. TOSSETT. No, I don't. As you know, the wheat growers are holding our annual summer meeting in Reno, NV, and the State president Bob Moore is out there. Our national vice president of the wheat growers, Bert Hold, is out there. So, they're shorthanded and I had to call on myself—I'm Wes Tosset from Lansford. I'm a past president of the wheat producers and they called on us have-beens, I guess, to testify here to the—because everyone else in the State is gone. I guess, I would like to keep my comments to, unnecessarily, what I'd like to see in the next farm program. Because that's a very broad issue and I thought I would leave that up to other people. But I guess, my main problem when I look at what's wrong with agriculture today it all boils back to the deficit. Every which way you turn, you're confronted with this huge deficit, what it does to high interest rates, what it does to our land costs. We're trying pay for land but there is an inflation factor built into those land costs, which we really shouldn't have to pay for. But it's in there and so our operating costs are going up because of that. I think the huge deficit we're competing against that. When we go to our banker to borrow some operating money and I think the strong dollar works for our very direct disadvantage in world trade. And this is a result of foreign money coming in all the time and taking advantage of this high interest rate. So, I would like to see something done on the deficit. I think the number one problem with agriculture. And we just have got to get a handle on it. And I guess one thing I'd like to see, it's a small thing, it isn't going to cure the whole problem, but I would like to see Congress rise above petty party politics and give the President a line item veto. He's asked for it. I realize that one of our senior Senators said, "Oh, gosh. We can't do that. We'd lose control." Well gosh. I think maybe our Congress in Washington has already lost control of our spending. I would certainly like to see something. I think this is the ideal time to do it because with the election coming up, you could give the next President, whoever he may be, the opportunity to cull out some of these things that seem to get in and raise our cost of Government. I'd like to see that. I guess, I'm no international finance expert, but another intriguing thing that I run across this summer in reading about foreign trade and different things—Germany and Japan had trading in different things, Germany and Japan had a traditionally much lower inflation rate and interest rates than this country has. One of the little subtle things that they do over there is they discourage debt and encourage thrift and savings. I guess, all this public and private debt that we have in this country, it bothers me. When you look at Sears & Roebuck, for example, the amount of money they carry on their books all the time. It's disturbing. In Germany and Japan they encourage thrift and savings by having interest earned tax free. And they also discourage deficit spending and debt by making interest paid nondeductible on their income taxes. I think, if we just did little things, you can't solve our huge deficit problem with one swoop of the pen. It's got to be combination of a whole lot of little things, I guess, these are just a couple of little things that I would like to see at least tried.

Senator **Andrews**. Wes, I appreciate that statement. Let me ask you a couple of questions before we get some additional information on the record. You pointed out, as a previous witness did, the impact the deficits have on agriculture. Those deficits are running last year $172 billion.

Now, would you be in favor of adjusting taxes to help meet the deficit along with tax cuts, if that's the package that had to be put together?

Mr. **Tossett**. Personally, I'd like to see a spending freeze. It's tough. My wife and I have tried to cut back. It's tough to get—to cut back and I'm sure it's tough for the Government to cut back.

Senator **Andrews**. A spending freeze will give us about $47 billion in 1 year, and we're trying to get $173 billion.

Mr. **Tossett**. I'd like to see a Federal law that you have to have a balanced budget except in the time of emergencies. Because that way, you know, it's easy for people to go to the Government and say, "Oh, we have to have this and that." But if you know you're going to have your taxes raised at exactly the same time, well, you're a little bit more reluctant to ask for all these things. I think, you know, it comes back to us voters. We get what we ask for and if we ask for huge deficits that's what we're going to get.

Senator **Andrews**. You made another point, that you favor the line item veto. We have a line item veto, as you know, in many States. In many State budgets, the Governors are given the line item veto.

But in every State where there's a line item veto, there is also a requirement that the Governor submit a balanced budget. If you favor a line item veto, would you also favor the corollary in order to use a line item veto a President must be required to submit a balanced budget?

Mr. **Tossett**. I would. Although, you can do a lot of playing around with a lot of different figures and you can submit a balanced budget that really isn't a balanced budget, as I understand it. But I'd certainly be in favor that if he didn't submit a balanced budget, he wouldn't have a line item veto.

Senator **Andrews**. Well, that's most helpful. I appreciate it. Thank you both for appearing. Our next witness is Jean Berger.

STATEMENT OF JEAN BERGER, PRESIDENT, NORTH DAKOTA CHAPTER, WOMEN INVOLVED IN FARM ECONOMICS

Mrs. **Berger**. I am Jean Berger, wife and partner in farming with my husband in raising small grains north and west of Williston, ND. Currently I am serving as State president of Women Involved in Farm Economics, also known as WIFE. We are an agricultural association of women dedicated to promoting economic prosperity for agricultural producers and to the suvival of the independent farm system for the production of this Nation's food and fiber.

I appreciate the opportunity to address you today on a subject so vital to the future of agriculture and to those of us in that business—the 1985 farm bill, for as the biggest industry in this country, our economic well-being affects many and our survival affects us all.

WIFE feels that this Nation will not see a true economic recovery until our largest and most basic industry is healthy and able to generate income and tax revenues with each ag dollar turnover and able to purchase urban-produced goods and services and thereby creating jobs. If this could occur, many of the budgetary problems would be solved. The huge debt we are accumulating for our children is, at the least, unfair to them. We are living beyond our means and they are the ones who will have to live with our shortsighted and selfish policies. Likewise, our current farm policies with out-of-date supply management, geared toward production with little regard toward conservation of our land and water resources will haunt our children, who will also need these resources to produce food and fiber. And their need will be even greater for their population will be larger.

While exports are vital to our industry, we in WIFE fail to see the logic that dictates selling even one bushel at a loss will gain anything for the producer. Why are we using up our precious resources in order to lose money? Future generations, left with few resources, will justifiably be bewildered and bitter at us for our short-term policies. Are we facing the real world when the realities are that, even with our strides to gain markets for our products abroad, our wheat exports are down 20 percent to under 1.4 billion bushels this market year. The world recession and the strong U.S. dollar are hurting us but current policies don't seem to allow flexibility in dealing with these situations.

The rosy picture of our Nation's economic recovery that has been painted is not what it seems and it has been compared to the man who buys a big fancy car but can't really afford it. To his neighbors, he looks prosperous, but, in fact, he struggles each month to make his payment. Just as farmers have invested in land and machinery by borrowing on their equity to try to produce more and produce more efficiently, it has looked like we are prosperous. Only by borrowing on this equity have farmers managed to stay in business, but continued selling of commodities under the cost of production and the high cost of borrowing money to produce has caught up to us. Many are now in a hole so deep that without a profit in the near future, there is no way for many to climb out.

For our hope of the future, our young farmers, those who want to farm and perhaps haven't gotten too far in debt, this 1985 farm bill will probably be the declining factor. Frankly, it is becoming increasingly difficult to be optimistic about the future in agriculture, especially when the risks are high and the chances of profit so low. Many have left the farm—how many more good farmers can we afford to lose?

In our part of the State, our crops are much below average, due to dry conditions, hot weather and grasshoppers. Disasters such as we are experiencing have happened before, but nowdays, with narrow profit margins and high interest rates, it is much harder to survive the disasters. We will struggle to get by, to pay on the bills, pay the interest to the credit institutions, seek off-farm income. But the small businessman who needs to sell his goods to us will find there is no money for extras. This bleak reality registers directly in loss of dollars and jobs to our local communities.

Since WIFE does believe prosperity in agriculture is the key to true economic prosperity to this Nation, I would like to submit for the record our "Ag Balance Sheet for the United States" and the one for the State of North Dakota that show the dollars that could be generated if agriculture received a price for its commodities. Our study shows that the underpayment to North Dakota alone amounts to $2.5 billion in 1983.

Women in agriculture perhaps can add another prospective to this dialog in emotional and human terms. Above anything our families come first. The health and well-being of our children and our husbands are most important. Farming is much more stressful than it was 25 years ago and is considered to be more stressful than 90 percent of 131 occupations analyzed in a recent study. Besides the obvious stress factors like the weather, low farm prices, high production costs, high debt loads, production loss, other stress factors that affect many farmers are things like marital problems, intergenerational land transfer, and rivalry with brothers farming together. The toll that these factors can take on a farmer and his family are being closely examined and for many, the benefis of farming just are not worth the human toll. Some will make the choice to save the farmer instead of the farm.

We know the answers are not easy, for the problems are complex—but WIFE believes the destiny of the few commercial family farmers and ranchers who are left, the well-being of all ag-related industries, the viability of rural America and, in fact, the economic stability of the entire Nation, are dependent upon farm policy that will provide the opportunity for profit. We believe our policymakers must enact into legislation the following:

1. COMMODITY PRICES

The foremost issue to be addressed if family farm structured agriculture is to survive. Policy must be made which will establish and protect a price recovery system for commodities in the marketplace, that allows a profit to the producer.

2. REVOLVING LOAN FUNDS

CCC is needed to eliminate the need for annual appropriations or budget outlay for our commodity loans—which are just that, and are repaid with interest.

3. SUPPLY MANAGEMENT

The program must provide, along with a loan rate at a cost of production, a well-defined mechanism for balancing production with domestic and export consumption levels and a reasonable carryover. We recommend a set-aside, or supply-management program contingent upon an annual review of the actual carryover stocks. The carryover level established for each commodity should trigger implementation. We also strongly recommend that such set-aside or supply management program be on a unit basis—bushels, tons, pounds—with early and timely announcement of such program. If the goal is to decrease production or balance production with demand, the only sure and fair way is through the unit basis rather than acres.

4. COST RECOVERY

Loan rates, or a floor must be established at no less than the cost of production or 75 percent of parity, whichever is higher, Legislation must be written to ensure that loan and target prices go up in direct proportions to the cost of production.

5. EMBARGO PROTECTION

We are strongly opposed to the Government using agricultural products as a political tool in the imposition of embargoes whether real or implied.

6. EXPORT REVOLVING FUND

The appropriation of and implementation of this fund is vitally needed.

7. FEDERAL CROP INSURANCE

WIFE calls for a renovation of the Federal Crop Insurance Program which will put the ASCS offices in charge of determining which land is insurable, before the fact and that there be a direct relationship between coverage and premium.

8. LONG-TERM PROGRAM

New farm legislation must be long-term, bipartisan plan for agriculture. It must provide workable provisions withstanding changes in the administration, yet must have within it, flexibility for adjusting to changes on domestic and world economies.

9. FARM CREDIT

This is an issue that must be addressed immediately. We feel an evaluation and investigation of the farm credit system should be carried out. We further urge Congress and the President of the United States to initiate legislation to develop massive agriculture debt restructuring.

With less than 3 percent of the population, producers have the challenge to somehow convey to the other 97 percent, the situation out here, and it is difficult when the grocery shelves are full of food. And they perhaps will always be full—but, at what price? The structure of agriculture is changing and we must, with this farm bill decide what kind of system we want and gear our legislation toward that structure. Do we want our producers to be part-time farmers who need off-farm income to generate more dependable cash flow? Do we want a megafarm system? Do we want a structure of land ownership by insurance and oil companies farmed by landless tenant farmers? Someone will produce food in this country but the question is who will produce it and at what price? The 1985 farm bill that is designed and adopted will answer that question—that is why it is of utmost importance to us all.

Thank you for allowing me to speak to you today on behalf of North Dakota WIFE.

Senator ANDREWS. Thank you for an excellent statement and I want to commend you on what WIFE is doing. Really, the secret of American agricultural production is the family involvement. Nobody else can do it. No one else in the world can do it. Thank you very much.

Mrs. BERGER. Thank you.

Senator ANDREWS. Our next witness is Bruce Anderson. Glad to have you here.

STATEMENT OF BRUCE ANDERSON, PRESIDENT, WARD COUNTY FARMERS UNION, AND DIRECTOR, NORTH DAKOTA FARMERS UNION

Mr. ANDERSON. My name is Bruce Anderson. I operate seven quarters of land near Glenburn. Six of those quarters are owned by my parents and I also rent one quarter from another landowner.

For the past 9 years I have served on the board of directors of the Minot Farmers Union Oil Co. I am also serving as president of the Ward County Farmers Union and as a director of the North Dakota Farmers Union.

Three years ago, three other young farmers and I sat down one night and discussed the world's problems into the wee hours of the morning. When we discussed the need for a moratorium on farm foreclosures, I was the only one of the four of us who would fully support such a moratorium. The others believed that each case would have to be decided separately on the basis of the individual's management or mismanagement.

Two years ago, the four of us again held the same late night discussions. This time, one of them had changed his mind about a moratorium. He explained he had decided that no matter how well he was doing, if too many of his neighbors were foreclosed, there wouldn't be much of a community anymore. He felt that it was in his own best long-term interests to be concerned about his neighbors and to support policies to help them stay on their farms.

Last December, we met again. This time the circumstances were different. One of the four had his farm up for sale. I wondered if mismanagement would again be the explanation. Was it another case of mismanagement? No, in fact I talked to some of his neighbors and they were surprised to learn that he was quitting.

I talked to him personally and he told me he could continue the farming operation if he wanted to. He said he could get the operating capital, so it was not a problem of inadequate finances or equity. But, he had worked out his farming plans, figured and refigured and discovered that the best he could reasonably expect to do is to end 1984 at $20,000 less than he started with.

This young farmer decided to quit while he had something left, rather than to keep on losing equity and money. An agricultural economist would most likely say that this young farmer made a good management decision. In other words, strictly on the basis of cash flow and returns, this young farmer quit because he was a good manager.

My purpose in sharing this with you is not simply to discuss the need for a moratorium on farm foreclosures. I continue to support such a moratorium and feel it is needed more than ever, but I want to emphasize that it's not just mismanagement that is causing farmers to fail or to just quit.

Mismanagement has become the easy explanation for what is happening in rural America. It has become a scapegoat for all those who want to gloss over the real economic problems. It bothers me and I get somewhat angry when I hear neighbors of a farmer, who has been forced out of business, try to explain it away by finding some particular decision or problem that would show he wasn't a good manager or farmer.

I'm really into what is called management these days. I'm involved in a farm management program with computer analysis. I do cash-flow and budgeting. I'm enrolled in a marketing service that charts the markets. I keep my farm records on a computer and have a monthly printout with the balance sheet and income statement. I don't spend much on machinery and my average yield is going up.

I think I am a better farmer because of these tools. In the short run I feel more secure, even if the bottom line is red, because I know where the money is coming from and where it is going. But, in the long run, I am more insecure because I can see in black and white that I am one bad year away from disaster. I often wonder if I should follow in the footsteps of the fellow that looked at his farm's balance sheets and decided to quit.

It's true that land inflation and better prices in the past covered up what are now considered mistakes in farming and other businesses. There were times that you could afford a few mistakes in learning a business. Today, every mistake is costly and can put your farm into jeopardy. But we also have to consider the fact that what was considered good judgment and management just a few years ago are now pointed out as mistakes and mismanagement. We should also remember many agricultural economists and other farm advisers including bankers were the ones recommending and encouraging the judgments and management decisions that are now considered mistakes and mismanagement.

The point of what I am here to say is that when it comes to policies for restructuring debt, lower interest rates, or even a moratorium on foreclosure, we have to be very careful about what is labeled mismanagement.

We also have to keep in mind that the individual farmer didn't make those decisions alone. He had plenty of advice from the experts. This is especially important when we talk about FmHA borrowers. FmHA has a coresponsibility with its borrowers in management decisions through its role in providing supervised farm credit. If a borrower and the FmHA supervisor jointly made a judgment call on a farm plan, it isn't fair to just blame the borrower when that judgment call doesn't work out as expected. If the loan was not properly supervised, it isn't fair to point a finger at just the borrower. Neither am I saying that FmHA should be blamed exclusively for the borrower's problems. Both FmHA and the borrower were or should have been in the decision process. In other words they have a joint responsibility to work something out so that the farm unit can keep on going. This is why I feel that a moratorium on foreclosures is fully justified.

In addition, I think there has been too much emphasis placed on a farmer's management ability. There are just too many factors that affect the profitability of a farm. Management ability is only one of them and a good portion of the rest of them is beyond the control of the individual producer.

Governor Olson recently in an effort to say just that, made reference to the idea that the poor farm managers had been culled out sometime ago, and the farms that are being lost now are run by good managers who couldn't make it because of conditions beyond their own farm operations.

I have a neighbor who believes that only poor managers go out of business. I asked him if we were not at the point where good managers were in trouble. He said when the poor managers fail, then the next group of farmers to get in trouble become the poor managers, and when they fail, it's the next group, and so forth.

Where do we get with attitudes like that: An agriculture where only the Lee Iococcas of the world can be farm managers, and the rest of us will be the hired help? The Darwin theory of the survival of the fittest, just doesn't wash when it comes to agriculture.

Farmers are good at what they do. Some may need help preparing a balance sheet or working with cash-flow projections—assistance that leaders should be more involved. Some may need help with marketing. But, when it comes to cutting expenses and still increasing production, farmers are unsurpassed.

I resent the words poor manager, when it is used to describe people whose livelihoods are being threatened by forces in which they have little voice and even less control. I'm tired of references to a new four-wheel drive pickup or some similar culprit as the cause of farm failure.

Exactly what is the difference between a good and poor manager? Even Darwin's theory of the survival of the fittest recognized that being born at the right time or being lucky and in the right place at the right time had a lot to do with what happened. Is a good manager the person who was born in a certain year, had the right parents, and inherits the farm at an opportune time? Is a good manager the one who happened to have the right crop history when a new farm program was announced?

And, who is the poor manager? Is it one who was in a drought area, when 20 miles away the crops were blessed with rain? Rainfall can make a big difference in management ability. Is it one who got hail 2 years in a row? Hail can make a big difference. Is the poor manager one who has a major breakdown during harvest? Is it one who happens to get sick during spring planting? Repairs and timeliness of farm work can make a big difference. Is the poor manager one who hasn't had the opportunity for land ownership and has to rent the land? There can be a big difference between the profitability of renting versus owning. Is a poor manager one who has a half dozen brothers and sisters, instead of being an only child when it comes time to passing on the farm from one generation to the next?

This list can go on forever. If we look at it seriously, management or mismanagement is like beauty; it's in the eyes of the beholder.

The role of government in agriculture is not to select and determine who is a good or poor manager. The role should be to provide as many of its citizens as possible the opportunity to make a livelihood in agriculture. The role of government must be to help preseve the family farm system of agriculture because of its importance to the whole country and the world. The right to vote isn't based on whether or not you make the right decision, nor should opportunity in agriculture be based on such as assumption.

One of the members of our discussion group changed his mind about a moratorium on foreclosures because he thought it was in his best interest to be concerned for his neighbors and his community. It is also in this country's best interest to be concerned about family farm agriculture.

We can no longer afford to keep blaming all the problems in agriculture on the mismanagement of individual operators. Maybe it's time to look at the possibility of how well we have managed our national agricultural and farm policies.

Thank you for the opportunity to testify.

Senator **Andrews**. Thank you for an excellent statement. I appreciate your taking the time to come. It's going to be a great help to us.

Our next witness is Lee Christensen. Lee, good to see you. Lee and I went to NDSU together back when it was NDAC and we were both learning how to be county agents or something.

STATEMENT OF L.D. "LEE" CHRISTENSEN, KENMARE, ND

Mr. **Christensen**. Thank you for holding these hearings and giving us all an opportunity to unload a little bit.

I am L.D. "Lee" Christensen, a farmer from Kenmare, ND. Our farm is located in the northwestern corner of Ward County in Denmark Township, which was named for the pioneers who homesteaded in this area.

We farm 2,400 acres with our son, Kirk, growing Durum wheat, sunflower, flaxseed, and all the other small grains and oilseeds that farmers experiment with from time to time. We have 500 acres of pasture that we lease to our neighbor, who operates a dairy farm. In recent years livestock enterprises have been even more economically volatile than grain farming.

If there is a typical profile of a farmer, I believe I fairly well fit the picture of the World War II veteran who returned from the service, finished college, taught school, sold insurance, started farming, married, raised a family and became involved in community affairs. I have served on township, school, soil conservation, co-op, and church boards.

I had the privilege of serving 16 years in the North Dakota Legislature, and served as the minority leader in the senate for two sessions. I have served as the president of the North Dakota Association of Soil Conservation Districts and as the chairman of the State ASCS Committee in North Dakota. I am a Farmers Union member, and am currently serving on its policy and action committee.

Marge, my wife, has also been actively involved in community affairs, serving on church councils and similar activities including the North Dakota Council for the Arts.

Having farmed for 30 years, we are considered to be established farmers. Yet, we find the trends in American agriculture to be very distressing.

In our farm operation, we use the Production Credit Association's Agrifax system in computerizing our farm records. We have 80 percent equity in our farming operation. Through the Agrifax system, we determined that last year we paid 11 cents in interest for every dollar of farm expense. Other farms of similar size in the Agrifax system spent 20 cents on interest per dollar of farm expense.

This interest cost not only demonstrates the problems faced by established farmers, but also the devastating effects that high interest rates are having on those with less equity. High interest rates, especially when we look at the real interest rate—interest rate minus inflation—are simply intolerable for the American farm family in today's highly capitalized system of agriculture.

In 1983 the return on farm equity in our operation was a minus 3.6 percent. Similar farming operations in the Agrifax system had a minus 2.5 percent return on equity. Our return was lower than average because we lost part of our crop in a hailstorm. The negative return on equity is a 3-year trend which began in 1980 and will be even more severe this year because of drought in our area.

Our son would like to build some equity in the farming operation. But, if the senior partner can't even maintain his equity position, how are 21-year-old, ambitious young men going to ever achieve any equity in our agricultural system.

If a new generation is going to have opportunity in agriculture and continue the Nation's family farm tradition, we must look at both the immediate problems facing agriculture and a system for providing stability for the long-term future.

Agricultural programs have been on the scene for many years, and they must be continued if American consumers want food and fiber at reasonable prices.

I personally believe that production controls in combination with adequate price support systems are the basic ingredients for a successful farm program. Other programs such as land retirement, income supplements, and so forth can also be part of the overall approach. But, the key to the success of such programs is whether they are fully and properly administered in the interest of family farm agriculture. In other words, it will take a commitment by both the Congress and administration to make a farm program successful.

It will also take a renewed commitment toward cooperation between Government and the farmer. Farmer-elected community and county committee have had a long and successful history in administering Federal agricultural programs. It is unfortunate that the community committee system is being set aside. That system has been the most effective avenue by which farmers have had the opportunity to provide input into the direction and operation of Federal farm programs.

County and State committees also need more flexibility in implementing the procedures sent down from Washington, DC, by bureaucrats who I suspect haven't even had any manure on their boots or grease under their fingernails, or have forgotten what it is like.

In particular, I want to point to the sign up procedures under the present program. At best, they are overly complicated. At worst, they are discouraging participation. Then, there is the apparent duplication between Crop Reporting Service and the ASCS certification process. For an administration that promised to get Government paperwork off the backs of farmers, the effect has been just the exact opposite.

Much of the paperwork and bureaucracy of farm program administration can be overcome and simplified by better communication through the use of farmer committees in the ASCS structure. I must emphasize that the community and county committee system for farm program administration really does work, if given a chance, and this structure must be retained for any future farm program to work effectively.

The effective use of farmer committees can and will provide a more coordinated farm program, because these committees understand what it takes to achieve the goals of the farm program when it is applied to the individual farm operation. For example, it doesn't take long for these committee members to understand whether the soil conservation objectives of a set-aside program are designed for press release rhetoric or if it is really compatible with the crop rotation, soil conservation management of farms in their area.

Soil conservation must be an underlying objective of supply-management programs. We have to do a better job of designing acreage reduction programs that are consistent with soil conservation needs. That means we have to have greater year-to-year consistency within the farm program so that we can plan our crop and soil management together.

Soil conservation, as a national priority will be celebrating its 50th anniversary in 1985, the same year in which Congress must adopt new farm legislation.

Hugh Bennett said:

> On the job of safeguarding the land, thousands of farmers in addition to various local, state, and federal agencies are vigorously pushing ahead with the work. Each individual is a part of the biggest job in engineering and human affairs ever undertaken.

The job that was started in 1935 is a long way from being finished. North Dakota had more than 2.2 million acres damaged by wind erosion in the current reporting period, so it is vitally important that funding for the Soil Conservation Service, Extension Service, and other USDA agencies which have responsibilities for soil and water conservation be maintained and increased to meet present-day problems.

We support legislation such as the "Sodbuster" bill as proposed by the House of Representatives and urge that the conference committee act on the legislation. We need to continue the Great Plains and the Water Bank Programs.

Modern agriculture, with its large equipment and high chemical and fertilizer usage, creates a new challenge for conservation planners. We have long been concerned about wind and water erosion and its effect on production. Now we must also quantify the pollution that can be caused by such techniques and the long-term effects that it can create. There is a critical need for more research in this area.

We seem to have our national priorities misplaced. We, as a nation, will spend $1 billion plus, to build one aircraft carrier. At the same time we as a nation only spend about $250 million a year for soil conservation to protect our and the world's supply of food and fiber. I don't believe carriers will provide us much national defense if we are unable to feed and clothe the crews. Our national future is more dependent on the productivity of our soil than the stockpile of our armaments.

Maybe now is the time to start a national land use policy in which rational scientific decisions could be made on how we use our land, water and related resources. Maybe it is time to make social and economic decisions as to who will have opportunities in the future to use and earn a livelihood from these resources.

We have had all kinds of studies on the structure of agriculture. We know what decisions we have to begin making if we are to choose a family-farm structure for our agricultural future. We also know that we have to start making those decisions now.

I believe the 1983 farm bill is the beginning for really looking at our land and human resources in thinking and planning for the next 200 years.

Thank you for the opportunity of testifying at this hearing.

Senator **Andrews**. Thanks for an excellent statement. You mentioned the billion-dollar aircraft carrier four times. What would you think of a $2.8 billion aircraft carrier? They're not as cheap as you think.

You emphasized the need for a national land use policy and I take it that you would favor a new 4-year farm bill with heavy emphasis on conservation of fragile land.

Mr. **Christensen**. I'd like it to go even farther than that. To be defined to some extent as to which lands are going to be agricultured or let the States do the defining. But I think they need a little pushing from Congress.

Senator **Andrews**. What would happen—let me run this by you because you've been in this business as long as I have. An idea that we picked up in hearings about 2 or 3 months ago, was that the Federal Government would set up a program whereby when farmers retire, the Federal Government would buy their land and in effect if it was fragile land put it back into grass and lease it out in much the same manner as they have with the sand hills in southeastern North Dakota. They would keep it as a national asset with the idea that if the need arose for additional grain and production sometime down the line, they would then take a look at those that were fit to be converted back to grain production.

What would that kind of program—I admit that it's one of the sharpest steps in a different direction than anybody has brought up for some time. How would a program like that fit with your feelings?

Mr. **Christensen**. Well, it would fit very well, Senator, but I would also like the States to have some input into that kind of a program.

Senator **Andrews**. Thank you very much for an excellent statement. Good to have you here. Our next witness is Ben Axtman from Rugby. Welcome to our hearing.

STATEMENT OF BEN AXTMAN, RUGBY, ND

Mr. **Axtman**. I am a farmer from the Rugby, ND, area, who has lived in Pierce County since birth. My wife, Betty, and I have six children, two of whom still reside at home.

Our farm is family owned and operated. Portions of the farm were purchased by my parents in 1939. Being an only child it was apparent that I would be a farmer. By the time I was in high school, there was no doubt that farming would be my vocation in life.

Our farm consists of 1,079 acres which Betty and I own. We rent 719 acres on shares from my retired parents and we rent an additional 150 acres of cropland on shares from a neighbor.

These acreages all consist of sandy soils of various degrees. Some of these acres are problem soils and would be best suited for cattle production. Our cropland acres are recorded as producing 20 and 21 bushels of wheat per acre.

Presently the farming operation is devoted to raising small grains—wheat and flax. Of the 1,530 possible cropland acres we rotate 900 acres of crops with summer fallow and hay on a 3-year rotation. Due to low cattle prices we discontinued our cow-calf enterprise in January 1980.

The last parcel of land that our family acquired was in 1961 and there has been no debt on any land since 1964.

Both Betty and I are involved in trying to make our community a better place. We have continuously been members of the North Dakota Farmers Union and have and continue to serve in positions on local and county levels. I have served a term on the county FmHA committee and also several terms as board members of the Catholic parish in Rugby. I presently serve on the board of directors of our local elevator, Baker Electric Cooperative, headquartered at Cando.

Our community is predominately made up of family-sized farm units and is served by small town business people. Having served as the secretary of our co-op elevator's board of directors since 1957, it is clear to me that farm problems are worsening and our community is suffering as a result.

Our greatest endeavor on the farm has been in raising a family. It is the family that ties people to their community primarily through the schools. Betty and I have both served on a parochial school board and are deeply concerned about educational needs in our community.

Our farming operation has reached the point that we have a serious cash-flow problem. This is despite the fact that much of our land, buildings, and equipment have been deeded to us since we began farming in 1958. This is also in sharp contrast to most younger farm families who are burdened with land, home, cattle, and equipment payments.

We have had the normal expenses of raising a family, improving our farm home, and buying needed major items of farm equipment. We have had only one crop failure, in 1961, and have experienced no unusual medical expenses. Yet, our farm is now at an economic crossroad.

For the past 3 years we have had to borrow increasing amounts of seasonal operating money. In the same timeframe we have not been able to purchase needed farm equipment. We have used up family savings and have resorted to off-farm employment.

Our cash-flow problems are the result of low farm commodity prices and the rising costs of farm inputs. It is increasingly evident to us that we cannot continue to farm when the parity price of wheat remains at about 50-percent parity. No amount of production from our farm unit's potential, whether we are in or out of the farm program, can support the continuation of our farm operation at this level.

The immediate future is simply a bleak outlook. The acreage that we sharecrop with my parents is in jeopardy due to their medical and retirement care needs. With their financial resources dwindling at a rate of $1,500 per month, they will soon have to liquidate their acreage. This will reduce their security and make the farming operation even less viable.

I don't claim to be knowledgeable about the intricate mechanics of passing a farm bill. But, I do know that any farm bill that is developed must honestly serve the people that it is designed to protect. Family-farm owners and operators are just as important to the well being of our Nation as are the auto industry or the large banks that have been bailed out through Government assistance.

The 1985 farm bill has to recognize the cost of production per unit of product. It must support it to that level, whatever happens in the so-called open market. If it costs $5 or $7.50 to produce a bushel of wheat in the United States, that cost has to be assured in the farm bill.

The financial problems of farmers today are not simply the high interest rates, the high costs of equipment, and the price of fuel, fertilizer, or chemicals. It is the low price per unit of production that is destroying the farm industry. Other industries are paying similar costs, but they have been able to receive just compensation, even under Government regulation, and frequently because of such regulation.

I am not simply testifying because of my own situation, but because our friends on neighboring farms and the business people in our rural towns are all facing this economic crunch. The cost price squeeze affects all farmers, whether they are young beginning operators, well established, or nearing retirement. Grain, cattle, and diversified farms face increasing costs of production with no real price improvement for their product.

In my community, young farmers can't start or continue to farm without facing eventual financial failure. Older farmers find it difficult to operate until retirement age. They have an even more difficult time facing a farm family willing to buy their unit at market prices.

The farmers who are overextended on their land or equipment have no real place to turn. Their equity is only on paper, and it is based on inflated land values. Attempted sales in my area generally recieve no offers. Average land price statistics you see published are absolutely misleading if you consider attempted sales.

When farms are liquidated, the farm equipment does not bring the value it should. Such liquidations in the long run only results in reducing the volume of sales needed by local implement firms to stay in business in the community.

Our farming community is seeing more and more vacant farms. Many of the remaining farms are held by retired farmers who do not have the means to make the transition to rural towns. Many younger farmers cannot live conveniently on the farm because they have to work at off-farm jobs to supplement their income. To us it is very evident that off-farm work is detrimental to family living, placing even more stress on farm families.

Farm families under financial stress are having to make decisions on what to do without. Many have taken the risk of dropping their health insurance because it was out of reach of the family budget. One serious illness will put these families off their farm.

The current conditions in agriculture and the farm income levels are immediately reflected in our rural business community. When farmers are able to buy their needed equipment and supplies, unemployment will be reduced, industrial sales will recover and all forms of State and Federal taxes will increase. A return to fair farm prices will bring an economic recovery that will more than offset the costs of Federal farm programs.

Rural business people are not really any different than farmers. For obvious reasons, neither farmers nor rural business people want to talk about their own financial problems. They seem to veil their business problems until the day they lose the needed capital and we find they are locked up or sold out.

Farm equipment sales have not recovered in 1984. Implement dealers in all parts of the State have had to liquidate. Basic farm services in many areas are now only available in the larger cities, hours away from the farm field and home.

The education of our younger generation is also been affected by the failure of the present farm program. School districts become hard pressed for funding because of declining student enrollment through loss of farm families. Due to the difficult economic times, levies for needed improvements are difficult to get from voters.

Farm supply and elevator cooperatives are affected in most cases to the same degree that their members are. Smaller cooperatives are having to carefully consider merging with larger co-ops. The bankruptcy of one or two farm accounts can break the financial structure of many rural businesses.

Management people in our co-ops must constantly be concerned over any accounts receivable, which could become a loss because of a decision by the patron's bank or farm lending institution. Boards of directors of our co-ops are trying to make the policy changes needed to protect the assets of the cooperative and to maintain their own credit lines.

Rural electric co-ops are faced annually with declining number of farmsteads to serve in an already sparse density situation. In some cases the remaining farms require heavier demand. To serve these load changes, the rural electric has to make larger investments at increasing interest rates. This all reflects in higher energy bills at a time when rural consumers can least afford them.

We are caught in a circle. Every farm failure means fewer people to support our community and its businesses, which in turn means higher costs for the rest, making it more difficult for them to stay.

Let me point out that individual farm failures are happening to all sizes and types of farms. Significant publicity has been given to the foreclosing of large operations, and it has usually overshadowed numerous small business and farm failures.

What I am really saying is that rural development must be a national effort and that farm programs have to be the centerpiece of any rural development program. We believe the 1985 farm bill can and must be a new beginning to provide the food and fiber that the people of the world need. Our own national trade balances mandates we maintain a strong system of family-farm agriculture.

The 1985 farm bill has to be realistic and honor the cost of production in all areas of the United States. Family size and family operated units must have preference in the benefits of the farm program.

Special and innovative efforts are needed immediately to bring relief for farmers in trouble on the land. There has to be availability of sufficient credit to those farm units who have reasonable chance of continued operation, together with a moratorium on foreclosures. Interest rate subsidies could be implemented just as quickly for farmers as they were for large banks in this country that have been rescued.

The State Department must use our food as a tool for peace instead of a threat to gain some policy compliance. Barter arrangements for critical raw materials should be initiated because the strong value of the U.S. dollar is prohibiting normal trade relations with poor countries.

Our primary concern for the 1985 farm bill is that it be permanent and dedicated to providing cost of production returns to family farmers. The Nation's consumers expect and are receiving adequate supplies of food and fiber. To reward farmers with a parity of income is no more than morally fair. Any program should have effective limitations to prevent abuses and to make sure that the benefits are going to family-sized farm operators.

I believe we need to pay more attention to using soil classifications in determining costs of production and in defining a family-sized farm. Farmers who own and operate low-yielding acreages face special difficulties. We need to recognize these differences in determining costs of production, and in applying acreage reduction, and price-support programs.

There is one other area that we have to start looking at in terms of production costs.

As consumers of energy, all of us are paying for the environmental costs of energy production. The reclamation and restoration of mined land is now part of the cost of energy. However, as a Nation we have not yet recognized that soil conservation should be part of the costs that consumers pay for their food.

Obviously, land that is taken out of production during periods of oversupply has to be protected by conservation practices and proper maintenance, including weed control. Crop-producing land also has to be protected.

Just as the oil industry received an oil depletion allowance farmers deserve an annual land depletion allowance which they can use to maintain their soil productivity. I am not suggesting a new tax loophole. Instead, the farm program needs to be designed to compensate family farmers for their land stewardship.

As part of the overall farm program, soil reclamation plans could be established by the soil conservation service and the operator. This reclamation should be ongoing and the family farmer should be compensated for it, with materials and services upon annual completion.

This might also be done through higher price support or deficiency payment levels to these participating producers or it might be done in combination with differing cost-share programs depending on the degree of necessity and the size of the farm.

As family farmers we are not only protecting the consumer through the abundant supplies of food that we produce, we are also protecting their future food supply and the environment. The 1985 farm bill must begin recognizing this relationship.

Thank you for the opportunity to share my views with the subcommittee.

Senator ANDREWS. Thank you for an excellent statement. You talked about funding a land depletion allowance. Would you do that—it's now our conservation operation and, of course, they're part of the normal cost of farm operations, so it's deductible. Would you make such an allowance a tax credit program so that the deduction would more closely approximate the cash outflow? Or would you suggest an actual benefit payment through the local ASCS office for the cost of putting it in?

Mr. **Axtman**. I would like to have it as part of a concerted effort between the conservation services and ASCS and the farmer developing a plan that would suit that particular farm unit. That would replenish or help rebuild or at least maintain productivity of the land. I would not prefer to see it used as a tax loophole or any such, you know, type of thing.

Senator **Andrews**. In other words, it would be a program payment such as we had in the past for tree planting and conservation planning.

Mr. **Axtman**. Right, it's been let go. It has not been funded adequately. I would think that at our stage of land depletion and I farm on the farm with marginal soils and I understand what depleted land is to operate and how much it costs to operate that kind of soil. It's an investment in the future. It has to be part of the cost of food.

Senator **Andrews**. Thank you very much. Our next witnesses are Sanford and Gail Slinde, a couple from Velva.

STATEMENT OF SANFORD AND GAIL SLINDE, VELVA, ND

Mr. **Slinde**. Good morning, Senator.

The beef industry has been praised repeatedly for being able to survive without any Government assistance. In the past, the majority of beef producers did not want a Government beef program, and I think most still feel that way. However, with current cattle prices in the $0.50–$0.60 lb. range compared to parity prices of over $1, I suspect some may be thinking otherwise now.

Cattlemen have enough variables to contend with in the form of weather, diseases, meat substitutes, and export-import problems, that we don't need to struggle with the bad effects of farm programs also.

One example of bad effects on the beef industry would be the dairy program, which resulted in an increase in the number of cows going to market, thereby decreasing the price. Another effect on the industry came from the PIK Program, which, when coupled with Mother Nature's drought last year, caused reduced supplies of feed grains and brought feed prices up.

The previous farm programs have allowed producers to graze set-aside acres after certain dates. This has been a mixed blessing for most cattlemen. Those areas of the country that have been under drought conditions have, in some cases, been able to utilize their set-aside acres for grazing and thereby maintained all or part of their herd. On the other side of the coin, we have the increasing cattle numbers due to the extra grazing produced by the set-aside acres. With this type of program, diversified farmers with both beef and grain are benefiting the most. For example, the all livestock producer does not have any set-aside to graze, and the all wheat producer with set-aside doesn't have any livestock. This is not all bad, because a good share of the diversified farms are smaller family farms.

Cattlemen lack the immediate flexibility needed in their operations to either expand or reduce with changes in markets. This is because of the nature of a cow's life cycle. If a rancher decides to expand the size of his herd by keeping more replacement heifers, it takes about 3 years for those heifers to produce calves and for those calves to reach slaughter weight. With that kind of timetable, its only fair that any farm program that affects us be for a period of years so that we can adjust our production accordingly. Without doing a lot of selling and buying of cows, its impossible to make very many adjustments to take advantage of market changes.

With monthly, and even daily changes in our Government programs, we, as ranchers, never know what to expect. For example, we study market reports, newsletters, et cetera, trying to anticipate what the future holds for our business, when all at once the Secretary of Agriculture announces that spring signup is slow for the feed grain program, so they're going to raise the PIK percentage to increase participation. Suddenly we realize that shortly we will be faced with higher feed prices due to a further reduction in supplies of feed grains. Now certainly this kind of change is good for the grain producer and wouldn't necessarily hurt the beef man quite as much, if it had been announced 6 to 12 months earlier.

In my opinion, there are a couple of different approaches to the 1985 farm bill that could be taken. I am opposed to the current type of program that rewards the very large producers of grain. I realize that with a voluntary program you have to increase all producers to make the program work; however, these same producers caused most of the surplus in the first place and it irritates me to reward them for it.

I think one of the alternatives to the voluntary program is a mandatory program where we would have control through commodity referendums. We have to get away from acreage reduction and move to bushel reduction or quotas. This, along with a two-price system has a good chance of working.

My other choice in farm programs is a direct payment to family farms under a certain size, and let the large producer go it alone.

The new farm bill also needs to include an expansion of Public Law 480 type programs. We need to get rid of most of our surplus, even if we have to give it away. We seem to be able to give guns to underdeveloped nations and teach them how to use them; why can't we do the same with farm commodities?

We also need to tie added incentives for conservation practices into our programs. These practices have taken the back seat recently because farmers can't afford the time and money to incorporate them.

It is apparently not possible to please both livestock and grain producers with one program. However, damage to livestock producers can be minimized by having long-term programs. Any significant changes in the program should be made well in advance so the producer can have time to adjust.

I feel that Americans have the responsibility of sharing in the cost of maintaining and preserving American farmland. We as farmers and landowners work to produce enough food and fiber for everyone. It seems only fair that Americans should help protect our farmland and farm families so that future generations will have enough food to eat.

Mrs. SLINDE. I love living on a farm and I'm happy that my children have the opportunity to be growing up in the country. But, in the back of my mind, there is a nagging fear that at some time this dream may come to an end. We are small family farmers and we're proud of that fact, but each year we get a little farther behind and that scares me.

Right now I spend most of my time being a homemaker and mother but I do help my husband with the farm work whenever he needs me. As his father retires he will need my help more and more. I also have a part-time job which I really enjoy. Looking at our expenses and income it won't be long before this part-time job isn't enough and I will be forced to join a growing number of farm wives who are seeking full-time employment off the farm even though there is still a full-time job on the farm that needs my attention.

It isn't only the wives that are seeking off-farm employment. In many cases men are also trying to pick up jobs to help meet farm expenses. Some of our friends have several part-time jobs. It wouldn't be possible for my husband to maintain our present farm operation and work another job too, there just aren't enough hours in the day.

Farmers are at the mercy of the weather. One dry summer, one hail storm, or one wet spring can suddenly turn a crop you felt would be good into a failure. One farm wife I know is fond of asking, "Why do we always plan on having no crop at all?"

With the tremendous expense of farm equipment, seed, fertilizer, chemicals, and the high cost of living coupled with farm prices that don't even compare with the cost of putting the crop into the ground, it's hard to even dream about getting ahead.

I've heard some city people say such things as: "Farmers chose their jobs. They knew what risks were there. It's too bad if they're going broke." They also see the huge equipment and hear how much it costs and think farmers are just complaining because: "after all, if things are so bad why are they buying more equipment?" It has to be mentioned that in order to get the crop into and out of the ground farmers need that equipment. Some farmers do probably spend their money frivolously on bigger or newer equipment than necessary but many of those are the farmers who have already lost their farms.

It dosen't seem fair that good down-to-earth farmers must spend all their income on farm equipment and expenses. It would be great to feel you could afford to put some money away for that dream house, vacations, and other such things.

Rural communities also need prosperous farmers to maintain their own standard of living. Most small businesses are now realizing how much of their income comes from farmers and they are sympathetic about the situation, but they don't know what to do about it.

It has been reported that nearly 22 percent of the labor force in the United States and over 30 percent of the labor force in North Dakota is employed by the food and fiber system. That's well over

20 million people. These workers are engaged in processing, manufacturing, transporting, exporting, retailing, preparing, and serving farm-based products—from food to animal feed, from textiles to leather, farm flowers to tobacco. A strong farm economy is therefore essential to all these industries.

If the system of family farms does break down the country won't suddenly run out of food. There will always be someone there to pick up the pieces and carry on. Unfortunately, the pieces are all too often picked up by the very large farmer and often times these farms don't pay as much attention to soil conservation as do small family farmers. In many cases the land isn't owned by the operator, therefore, the people doing the actual farming care more for their wages and not as much for conserving the land.

A good 1985 farm bill should allow the family farmer to achieve parity. This would provide farm families a net income at least comparable to that of nonfarm families and would assure us that we would earn at least as much money from a crop as we spent to put the crop in. A farm program that allows parity for farmers would insure the future of our food supply, and insure the future of family farms—the same farms our grandfathers and great-grandfathers homesteaded on when they came to this land—the same farms that were the first businesses in North Dakota.

In order to solve farm problems we also need to deal with the surpluses of grain we already have. While our bins are full of grain, there are about 50 nations in the world that need assistance in obtaining food to feed their people. There are also many hungry people in the United States. We need to find a way to feed these people. There always seems to be a way to supply other nations with guns and ammunition. There must also be a way to supply hungry people with food to keep them alive. The Food and Peace Program now reaches many countries, but it can be expanded to better meet the needs of the world.

I would urge you to take all these thoughts into consideration when discussing the 1985 farm bill. A strong farm program will help insure the future of the family farm and will preserve the heritage of my children as well as contributing to a strong America.

Senator ANDREWS. Thank you both for an excellent statement. You touched on something that I said for a long time. Food will win a lot more friends than all of the bullets and bayonets that we turn out of our arms factory.

You put it beautifully. I appreciate your taking the time to come. Our next witnesses are Robert and Mary Carlson from Glenburn. Welcome to our hearing.

STATEMENT OF ROBERT AND MARY CARLSON, GLENBURN, ND

Mrs. CARLSON. My name is Mary Carlson and we farm about 17 miles north of here in Glenburn. We appreciate the opportunity to present our testimony concerning the 1985 farm bill. We would like to offer our observations of rural life and suggest some options for future farm legislation.

We have operated a grain and sunflower farm since 1978 when we took advantage of an opportunity to cash rent land from a kind, retired farmer.

Since we were both reared on farms and decided it was the life we wanted for ourselves and our children, we were willing to sacrifice some economic security and assume financial risk in order to make a shoestring start at farming. Without considerable help from our parents any start in farming would have been impossible.

We left jobs in Bismarck and sold our home in order to move to the farm. We did not expect to become wealthy at farming; we did not plan to constantly expand our farming operation although there were many who advised us, "If you really want to make a living farming now, you'll have to get big—get big or get out now." Our goal, however, was to establish a family-size farm, a good sound farm that would operate efficiently on our family's labor.

Our farm consists of 1,060 acres which we still rent on a cash-rent basis. In addition to small grains and sunflowers we raise chickens and sell eggs. To cut down on our farm expense we share machinery with Robert's father.

Since returning to farming we have both become involved in our community. Robert serves as vice chairman of the Glenburn School Board, and is the Tatman Farmers Union local president. He also will be serving as the chairman of the policy drafting committee at the upcoming North Dakota Farmers Union State convention. I am a kindergarten teacher and involved in homemakers, and also active in the North Dakota Association for Education of Young Children.

As relatively new farmers we are looking forward to the time when we can begin gaining some equity in our farm operation. Instead, we are looking at a shrinking equity position.

We do not know if our farm will be a financial success or even if we will be able to continue farming over the next few years. If we are forced to leave the farm in the future, we would be severely disappointed.

Yet, we do not believe that the Federal Government should particularly care whether Robert and Mary Carlson succeed or fail in our venture at farming. It is not the Government's job to guarantee every farmer a profit. It may not even be the business of Government to ensure that everyone who chooses a particular occupation and lifestyle has an absolute right to such opportunity.

It is, however, the business of Government to legislate in the best social and economic interests of this Nation. It is the business of the Government to make definitive choices as to what will create the greatest number of opportunities for its citizens through the constitutional framework of justice and equity.

Our premise is that strengthening the family-size farm is in the national interest. Family farms need encouragement and need it soon. The 1985 farm bill would be a great place to start letting family farmers know that Americans have finally made a commitment to halt the erosion of people from the land and to stop encouraging the consolidation of family farms into ever larger land units.

During the 6 years that we have been farming, North Dakota has lost about 3,500 farms, and the average farm has increased in size by about 100 acres. In practice, of course, that means that the farmers who are not expanding are gradually becoming more vulnerable to takeover by larger farmers.

We would like to see the 1985 farm bill recognize that family farms are a treasured national resource that need to be encouraged. There are compelling social reasons for doing so; we need to keep people in rural America to maintain health institutions—schools, churches, and small businesses.

Vacant farmsteads quickly lead to social crises in communities. Nothing could illustrate this better than the current round of very painful school closings and consolidations that are occurring in North Dakota as declining numbers of rural residents force schools to close, leaving remaining students to endure long bus trips to their new schools. The closed schools, the empty churches, and the abandoned businesses in North Dakota's towns are silent testimony to the social decay that follows the death of family farms.

It is also apparent that we need to maintain a healthy rural population to dampen the effects of population growth in our Nation's urban areas. Displaced farmers and rural dwellers who depend on farmers will swell urban population, and we have yet to hear a big city mayor complain that his city suffered from a lack of people, nor is there a need for a larger urban labor force.

Mr. Carlson. We need family farms to maintain efficient land use and production as much as we need them to foster a healthy rural population. Simply put, family farmers make the best use of their land and resources. The committed family farmer achieves the highest yields per acre and maintains the highest livestock production. Finally, there is no doubt that the family farmer, whose farm represents the thrust of all the family's efforts, is the most zealous in preserving the soil.

Despite all the benefits that family-size farms offer, they are gradually disappearing and coming under severe economic stress in recent years. Our main problem is the same as that of other farmers; the money we make from the sale of our products does not cover the cost of producing them. Still, many large farmers continue to purchase and rent more land. For years this led us to believe that we were somehow inadequate and that perhaps family farms were inefficient anachronisms that would eventually yield to the large operator who ran his farm if it were an industrial factory.

We have since learned that the largest farmers do enjoy an advantage over family farmers, but it isn't that they are more efficient or better managers or even more astute at marketing their commodities. Their advantage lies in tax laws that permit rapid equipment depreciation and investment credits. Unlimited farm program benefits in the 1983 program and the unreasonable high limits that still exist in the 1984 program, $50,000 give some large operators additional advantage.

We believe that the 1985 farm bill should be directed toward the goal of strengthening family-size farms. We have gradually come to the conclusion that the present agricultural price support system may not be in the best interest of family farmers. As the PIK Program proved, controlling supply through a voluntary compliance program can be somewhat effective but at a very high cost. The cost is made high because of the necessity of buying the participation of large producers into a supply management program.

A second argument casting doubt on the effectiveness of continuing our present program is that it appears to be more advantageous to the large operator than to the family farmer. Many large operators do seek to take maximum advantage of the farm program by rapidly expanding rented acreage when a particular commodity program looks beneficial to them. Family farmers, on the other hand, generally try to fit their more stable operation into a farm program, they do not design their operation to make a windfall profit on a particular program.

In place of supply management and voluntary compliance program we suggest that the 1985 farm bill be designed to help family farmers who need help. Perhaps a certain limited number of bushels, or bales of cotton, or whatever the unit of production might be on an individual farm, should be supported at parity. These annual parity payments to a farm family should cease when an individual family's net farm income reached the national median income or some similar reasonable figure. In no case should an individual farmer receive payments totaling more than this set figure. This would not deny farm program benefits to large producers but it would limit their benefits to those received by family farmers. We believe that would be a fair and equitable system.

Finally, we would like to see the investment tax credit for farm equipment eliminated. If we farmers make a profit, we should pay our share of tax. We realize that the investment tax credit is intended to encourage equipment purchase and thereby boost the manufacturing segment of our national economy. But from our perspective it is injurious to the family farmer when a large operator erases $10,000 of tax liability each year by purchasing large equipment that he then uses to justify the addition of more acreage to his operation.

In summary, it is in the best interests of this Nation to maintain a healthy agricultural economy based upon family-size farms. We hope that the 1985 farm bill will recognize that fact and specifically work toward strengthening the family farm.

Senator ANDREWS. Thank you very much for an excellent statement.

I assume from your testimony that you favor a bill which will eliminate the abusive tax shelters currently used in agriculture.

Mr. CARLSON. I think that would be a great thing to pass. I'll write some letters if that'll do any good.

Senator ANDREWS. Fantastic. One additional question. In your testimony you set up a definition of family farms. How would you define family farm other than that?

Mr. CARLSON. Right, I agree. It's a difficult definition, difficult term. It's used a lot without much definition. But, of course, it is hard to define, as you know.

But I could tell you in our area what a family farm size would be and I'm sure you could do the same thing for your farm in Cass County. I guess, the point I was getting at was not that it was necessary to separate family farms from a large operation in terms of a 1985 farm bill. I would just like—I would like to see a limit placed on payment that would not exceed the national median income, I guess, $18,000 to $20,000.

Senator ANDREWS. You've given us food for thought. Thank you very much. We're going to take about a 5-minute recess for the court reporter's benefit and probably for yours also. Our next witness, following the 5-minute recess, will be Cecil Watson.

[A 5-minute recess was taken.]

Senator ANDREWS. The subcommittee will come to order. Our next witness, Cecil Watson, the chairman of the North Dakota Wheat Commission from Bismarck. Cecil, it's good to have you here.

STATEMENT OF CECIL WATSON, CHAIRMAN, NORTH DAKOTA WHEAT COMMISSION

Mr. WATSON. Senator, my name is Cecil Watson and I'm the chairman of the North Dakota Wheat Commission.

During the 1970's, U.S. agriculture made substantial and consistent gains in exports to a point where 6 of every 10 bushels of wheat produced in the United States was exported. The need for this relationship continues and underscores the need for a farm program which recognizes the importance of exports to the U.S. farm economy and the role they play in the general economy.

In recent years, the U.S. wheat industry has experienced substantial reductions in export volume from 1.771 billion bushels of wheat in 1981-82 to 1.425 billion bushels in 1983-84. Many factors, such as the strong value of the dollar against other currencies, continuing economic difficulties of other nations, and our own embargoes, have limited importing nations' willingness and ability to import our ag products. The result has been reduced farm income, increasing farm program costs to support farm income, and the harnessing of our most efficient industry with associated diminished benefits to the rest of our economy.

The North Dakota Wheat Commission supports continued and increased funding of those export credit assistance programs in the form of Public Law 480, direct credits, and export loan guarantees in 1985 farm legislation. These programs were effective in 1984 in encouraging importing nations to purchase additional quantities of U.S. grains with limited impact of the Federal budget. Furthermore, when funds are appropriated to credit programs, the responsible agencies should be required under normal circumstances to utilize those funds for export enhancements.

The importance of export financing has become crucial in selling U.S. agricultural commodities overseas due to the worsening financial situation in many countries, the strong dollar and intense competition. Most major wheat exporters provide some form of short-term credit to enhance their competitive position in foreign markets. Suppliers, both in the private and Government sectors, compete not only on the basis of price, quality, and transportation, but also on the ability to finance sales on attractive terms. Although price and quality continues to be an important factor in determining sales, credit availability and terms, especially to markets in developing countries frequently is the deciding factor in consummating the sale. The availability of export financing is of particular importance to the U.S. wheat industry today, and will continue into the future.

Export credit program guarantees cost very little since most loans are paid back. USDA statistics indicate that every dollar provided for export credit generates and additional 35 cents in new export business. Blended credit, using GSM-102 and GSM-5 in a leveraged 4 to 1 ratio, was extremely popular and successful in 1983 with available funds exhausted in a short time and encouraging Yemen among others to purchase U.S. wheat for the first time in recent years. And Iraq to dramatically increase imports to over 1 million metric tons.

Since 1954, Public Law 480 has been an effective export enhancement tool with numerous recipient nations such as Japan and Korea becoming regular cash purchasers of U.S. grains. Continued expansion of the Public Law 480 program will aid in developing new markets and trading relationships with the developing nations of the world.

The United States must demonstrate to the rest of the world its willingness to compete for world markets. This can be done in large measure by a 1985 farm bill which includes a strong statement on U.S. export policy. The North Dakota Wheat Commission urges your continued strong support for such provisions. We stand ready to actively support our position in testifying when desired and deemed necessary.

Senator **Andrews**. Thank you, Cecil, for that statement. The Department of Agriculture continually assures those of us on the funding subcommittee that they have an adequate supply of export credit programs guaranteed funds. Now, from the tone of your statement, I would get the impression that's not true.

Mr. **Watson**. No, I wouldn't say it's not true. But I do think that one of the statements I made in there was that some funding was available but was not used. And this statement, of course, was approved by the whole wheat commission, Henry Nesham was the one that brought it up. He said in 1983, there was some money available that was not used for export policy or export enhancement. And he felt like it should be used.

We just feel like we're getting extreme competition from Canada offering good credit and it's especially important to North Dakota for our Northern Hard Red spring growers.

Senator **Andrews**. We always hear that there is adequate funding for export guarantees. We ask the Department, and the Department assures us, they say, "No, Senator, we have adequate funding for export credit program guarantees." Now you're saying we could do more.

Could you provide as an addendum, in letter form, the examples of the sales you feel we have lost because of the lack of an adequate export credit program?

Mr. **Watson**. Will do.

Senator **Andrews**. Then, we have the—that would be most helpful to us and I appreciate the time you're taking to come and make a very good statement. Thank you very much. Our next witness is Thomas Solberg. Thomas, good to see you here.

STATEMENT OF THOMAS M. SOLBERG, PRESIDENT, NORTH DAKOTA ASSOCIATION OF RURAL ELECTRIC COOPERATIVES

Mr. **Solberg**. Thank you, Senator.

My name is Thomas Solberg. I am president of the North Dakota Association of Rural Electric Cooperatives, the statewide service organization for 19 of the State's 21 rural electric cooperatives that provide electric utility service to about 90,000 rural residents in the State.

On behalf of our association, I would first like to commend you for holding these hearings on the 1985 farm program. Since our electric cooperatives provide service to all of the State's farmers, we know firsthand there is concern in the country about the future of agriculture. Your presence here today indicates you, too, are aware of this problem and are willing to lend an ear to see if Government can work with its citizens to come up with solutions. Let me address what I believe to be a few problems we in agriculture will face in the next few years.

One. REA revolving fund. I first must mention that our association continues to seek the Senate's support for S. 1300, the Rural Electrification Self-Sufficiency Act. The Senate Agriculture Committee approved this bill on a vote of 10 to 1, and it now awaits Senate action. We see this bill as a critical step toward bringing prosperity back to the farms in this country. Here's why. If the Reagan administration is successful in killing this bill and in its place, substituting measures that would force rural electrics out on the open money market to pay about 13 percent interest or more for loan funds, then North Dakota's rural consumers would pay $12 million more for electricity each year with a compounding effective increase for every loan required in future years.

An increase in electric costs of this magnitude would surely dim the lights in our already depressed rural areas. Our association continues to fight for this legislation that would help provide reasonably priced power because we recognize rural electric power as a key production input on today's farms. No farmers in the State could live without electricity, and yet, if we cannot get S. 1300 through the Senate and to the President for signing, then some of our farmers wouldn't be able to afford to live with it, either.

The impact of higher electric rates might not be as devastating if farmers were able to raise the price they receive for their product. But if electricity goes up 1 cent a kilowatthour, or if 2-4-D goes up $5 a gallon, farmers only pay more—not receive more. That's why I think it's imperative to continue providing affordable-cost power to farmers through the best citizen-Government program their country has ever seen; and that of course, is REA. If the farmer can't raise his income, then it's our obligation to do all we can—working with our Government—to keep his electric rates down.

Two. Farm programs. Let me visit now with our association's stand on farm programs. Our resolutions on farm programs recommends the following:

> * * * that the farm program be restored to a greater degree of economic stability and provide a more purposeful meaning to the agricultural industry. We believe the price-support program should be raised to a level that will reduce the severity of risk of farm and main street business bankruptcy caused by low farm prices. We further ask for an "international grain trade agreement" with other grain producing countries.
>
> Agricultural exports must be permitted free access to world markets. Attempts to unnecessarily restrict the free flow of agricultural products to the world market must not be allowed. Government embargoes must be accompanied by legislation

which provides full compensation to farmers faced with the loss of these important markets.

Let me expand on this resolution. It appears this country is letting the farm income safety net Government should provide slip away. We recommend a farm program with a "greater degree of economic stability" because of late, our farm program has been a year-to-year fiasco. One year it's paid diversion. Then it's PIK. Then it's a combination. There's talk of no farm program. Farmers can't plan for their future with this kind of public policy.

We urge this committee to work on a farm program in 1985 that would set a trend that would last for a decade or more. You'd need room in such legislation for fine tuning. But what agriculture needs most is public farm policy that keeps people on the land and assures them that this protection will not be taken away.

Another emphasis of future farm policy should be on raising farmer's income. We agree that we need credit programs—the work of FmHA and other Federal agencies is important, no doubt. But emphasizing credit does not take care of the real problem: Farm income is too low and farm production costs are too high. As the chief economist for the Farm Credit System said at the Secretary of Agriculture's Farm Policy Forum earlier this month: "Only in the very short run does credit substitute for lack of income."

Beginning in 1985, too, it's apparent we need to solidify the farm program. The current administration has been successful in dividing and conquering the farm interests in this country—pitting wheat against tobacco, dairy against rice—and that's resulted in helter-skelter, commodity by commodity farm policy. It's imperative that we mold all these farm programs back into one bill—and make it a bill that's good for all of America.

Our resolution also called for free access to world markets. Embargoes—of farm product exports either announced or defacto—have no place in this Nation's foreign or farm policy. Yet, I don't think it would be wise to rely heavily on overseas sales as a panacea for improving grain prices in this county. The counties that are in dire need for our product are too poor to buy it, and there's not much hope of a quick turnaround for these countries. So while exports certainly must play a part in improving farm income, I don't think the 1985 farm bill should ignore stable, continuing price supports for farmers because there's a glimmer of hope that exports will dry up the surplus. That's just not going to happen.

Senator Andrews, I trust my few comments today will be of help to you as you begin the important task ahead of you. Our association has always supported strong farm policy that assures a living on the land for this Nation's family farmers. As you go back to Washington and begin your work, I hope you'll remember our points that:

One. Farmers need an adequate, dependable, supply of low-cost power that's only obtainable through an effective and viable REA loan program;

Two. The farm program needs long range planning that must begin in 1985;

Three. Raising farm income should be a higher priority in the farm bill than providing farm credit, and

Four. Exports must be an important part of the farm bill, but they should not be relied on as a panacea for raising farm prices.

In closing, let me extend our appreciation to you, Senator Andrews, for the support you've given rural America and our rural electric program over the years. Again, my thanks for this chance to appear before this committee.

Senator **Andrews**. Thanks, Tom. It's great to have you here. Glad to have the opportunity to listen to you again.

Thanks a million again for an excellent statement. Our next witness is Orlin Hanson. I realize you've got a Corps of Engineers' meeting going on downstairs. I know you've got a flood-protection program going on.

Mr. **Hanson**. Thank you, Senator. Yes, you're very aware of that problem existing there. My name is Orlin Hanson from Sherwood, State representative of the State legislature representing Renville and Ward Counties.

Senator **Andrews**. Do you have a prepared statement?

Mr. **Hanson**. Well, I have something along.

Senator **Andrews**. All right.

STATEMENT OF ORLIN HANSON, SOUTH DAKOTA STATE REPRESENTATIVE

Mr. **Hanson**. I thank you for the opportunity to appear before you today to express my views on the farm program. I want to impress upon you the serious state of affairs our farmer commonly is in. Especially the cattle industry and to a lesser degree the small grain farmer. Two or three things among others contribute to the dilemma. First, high interest rates. Then, the high cost of the equipment, either new or repairs for older machinery. And what a lot of people think is the main problem—low prices for our produce, whether it be grain or cattle. It doesn't make any difference what you get for something if it costs more to produce it than what you can sell it for, you're in the hole.

High interest rates add about $100 give or take a few bucks to each calf we produce. If you buy a new tractor and finance $25,000 of it, it takes about $3,750 to pay just the interest of the first year. So, you see the dilemma No. 1 with the high cost of repairs and other expenses.

I have a little package of seals I brought along today to stop the leaks in my hydraulic cylinder. There are five or six little low rings in these and about three little seals; $39.95 a package; $82 just for the two front cylinders on my tractor. It's kind of ridiculous, isn't it, just to emphasize the fact that it isn't only machinery.

I was to the doctor the other day because of a skin rash from my cowboy hat and sweating out in the heat. He gave me a little jar of salve. Got it at the pharmacy and it cost $39.50. So, it's getting beyond the ability of a normal farmer or rancher, whoever it might be, to make it on what the expenses are to produce this stuff.

Then, the price we get for the product. In 1979, I went to Sioux City, IA, with 179 calves. That's where I go every year the first week in December. I came back with a check for $76,000. And I really didn't figure I made a profit even though the price we averaged was about 94 cents for steers.

In 1983, we took down 176 calves. Three less. We come back with a check for $45,900. This has gone on for 5 years. Same calves and feeders, quite a difference. Same thing holds true to grain industry. This has been going on for the last 5 years and I can see where we're starting now to turn around at the end of the tunnel with inflation rates dropping, interest rates coming down some. But still not near enough. Now for the farm program. You see when a farmer or a rancher is strapped for funds to operate, he starts to look for all the alternatives and one of them is the farm program as maybe giving him a helping hand. It usually doesn't end up that way. But he'll sign up with some coaxing by the Department of Agriculture and the ASC offices. Once he signs his name on the dotted line there, the harassment begins. There seems to be a need for some ridiculous rules and regulations that suggests we're all crooks and must be led around by our hand or we'll get into trouble. Either you're not signed up right or properly or you're overseeded or you're underseeded. You haven't get enough trash on your fallow or you got too many weeds or your flax straps aren't quite growing properly, and so on. It gets, so I'm getting fed up to here with farm programs and I know many of my neighbors are.

The U.S. Government can't afford to subsidize the American farmer and compete with the European farmer and his subsidized world at today's world market price. They talk about surpluses here in the United States and Canada but really we don't have a surplus. We just lack the expertise and know-how to get rid of it to the world at a price we can live with.

Maybe we could get together with Canada, Australia, and Argentina in an alliance and set the price of wheat up there at a figure we could survive on. These countries would control the lion's share of the wheat in the world. And would not raise the price of bread or byproduct of wheat that drastically.

Somewhere or sometime we have to start thinking this way because with as much wheat as we are growing in so many different areas of the country, it's almost impossible to write a program to satisfy everyone and do them good without breaking the U.S. Treasury.

We have the know-how, we have the American farmer with the ambition and drive to do it. Let's feed ourselves and the world in the years to come without breaking the American farmer. Senator, I thank you for having the opportunity to come before you today.

Senator ANDREWS. Thank you, Orlin. You talked about we can do all right without breaking the Government. What happens when we're competing with farmers elswehere in the world whose output is, shall we say, protected by their government to—where they're getting in Europe $6.50 to $7 a bushel for the wheat they produce. Twice as much for the sugar they produce as we do. And those same governments that are subsidzing their farmers to a degree far beyond anything we do for our farmers and really cutting us off. The markets are being subsidized by our Government for their national defense.

Do you think we should say to other countries, hey, look, fun is fun, but our economy cannot support the defense of freedom for your country if your country doesn't cooperate with us.

Mr. **Hanson**. Visiting here about a month ago was Deputy Premiere Berntson of Saskatchewan and he's a friend of yours too. He's the one who first proposed a suggestion to me that maybe we have to—with these four countries, at least the three, Australia, Canada, and the United States together with kind of an idea which you had here. Because we can't compete—we'll break American and Canadian Governments and go broke. And there has to be some correlation there, I think, Senator.

Senator **Andrews**. In other words, talking plain to them?

Mr. **Hanson**. Yeah, there's no other way around it that I can see. Because we can't survive in today's world unless we do.

Senator **Andrews**. Do you think we should be taking some hard lines in our trade talks with other countries?

Mr. **Hanson**. I'm sure, Senator, this is the route we have to take. And I know from talking with the Premiere of Saskatchewan that they're thinking this way.

Maybe we ought to be hardnosed together. Thank you very much.

Senator **Andrews**. Our next witness is Dina Butcher, representative of Kent Jones, the agriculture commissioner. Glad to have you here. Do you have a prepared statement?

Ms. **Butcher**. I believe you were sent one.

Senator **Andrews**. We've got Kent's statement.[1]

STATEMENT OF DINA BUTCHER, DEPUTY COMMISSIONER OF AGRICULTURE, STATE OF NORTH DAKOTA, REPRESENTING KENT JONES, COMMISSIONER

Ms. **Butcher**. I'm Dina Butcher, deputy commissioner of agriculture, representing Kent Jones who cannot be here this morning. We do appreciate the opportunity of your coming out here so that you can hear it like it is from the people that we hear it from day to day. And we have somewhat of a prepared statement that Kent—was going to deliver which I'll excerpt from. The problems, obviously, have been addressed by many here today, of keeping farmers on the farm. Part of Kent's statement was to address the Farmers Home Administration, which is not in the farm program. We in the department of agriculture have been working with a farm credit counseling program that has provided trained counselors to assist farmers in applying for loans, negotiating with lenders, gathering and analyzing farm records, and determining various options that may still be available to the individual farmer or rancher.

Currently, we have over 300 clients who have received assistance through this program. The program seems to be cost effective but is a treatment of the symptoms of the problem rather than the solution to the problem. The problems of agriculture have built over a period of time, and the frustrating aspect of this is that many of the root causes seem to be beyond the control of individual farmers and ranchers.

There are two key issues which need to be addressed. The farm credit crisis and the 1985 farm bill. The Farmers Home Administration seems to be the key to solving many of the problems related to farmers' credit difficulties. That agency needs the funding, flexibility, and staffing to provide the credit for which it was designed.

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[1] See p. 36 for the statement of Mr. Jones.

The Farm Credit Counseling Program has revealed a number of specific concerns about the Farmers Home Administration. There are a lot of dedicated people working for FmHA. They need the support to do the job which the times have placed heavy burden upon. We're trying to be supportive of the many qualified people in the county offices, and hope that's possible through your assistance as well.

Regarding the funding, there are many efficient producers who are being crushed by real estate debts at variable rates of interest. Their only option is refinancing at lower fixed rates of interest with the agricultural lender of last resort, the Farmers Home Administration.

However, the Farmers Home Administration has exhausted farm ownership funds and is stockpiling farm ownership loans and applications.

Because of the eligibility requirements for FmHA financing, many good operators are falling through the cracks. Commercial lenders such as banks and Federal land banks are dropping them, yet their farm or ranch operations do not fit the Farmers Home Administration's definition of a family farm.

County FmHA committees should be given more flexibility in determining who qualifies as a family farm with less direction and fewer criteria arbitrarily set by the State Farmers Home Administration office.

As to the 1985 farm bill, it's being promoted as a piece of watershed legislation. Various proposals related to price support programs are being offered. Some advocate raising the price to the farmer through the support program to a certain percentage of parity. Others advocate reducing the price to the farmer, so that foreign customers are better able to afford purchasing the commodities, thus stimulating demand and ultimately resulting in improved prices. The approach taken by the 1985 farm bill should lie somewhere between these two.

The problem with past Government price supports have been that they have provided unlimited support to individual producers.

Government loan programs provide the best market for many of our commodities today. Target prices need to be maintained at present levels, but loan rates must spur increased sales of our farm products abroad.

The strong dollar, high interest rates, and declining farm exports are closely intertwined with huge Federal deficits. Farmers are beginning to realize they may have more at stake in getting Federal deficits under control than they do in the 1985 farm bill. Farmers know they must get a strong message through to Congress that deficits must be brought under control.

With that in mind, Kent is urging you to work toward implementing a 1-year across-the-board freeze on all Federal spending.

Farm issues today are complex, and they are difficult to address in a short statement such as this. However, I hope I've been able to bring some of these problems to your attention so you will be able to go back to the Senate and work out a solution in Washington.

I commend you for coming to the State to gather comments, and thank you for the opportunity to share the commissioner's ideas with you.

Senator ANDREWS. Thank you for an excellent statement. What do you think of the support potential for our guaranteed operating loan increases?

Ms. BUTCHER. I understand that the bankers are supportive of that.

Senator ANDREWS. They are very much supportive of it. If you turn those farmers away from the independent bankers, then there's that much more pressure on Farmers Home. It's staff is already overloaded with a number of problems, and we can't afford to increase them.

Ms. BUTCHER. I hope that this guarantee program will be effective. They seem to have ironed out some of the misunderstandings or problems that have existed in the guarantee programs before.

Senator ANDREWS. We hope we can get it passed.

Ms. BUTCHER. I hope it gets the visibility and support that it needs.

Senator ANDREWS. Thank you, it's good to have you here.

STATEMENT OF KENT JONES, NORTH DAKOTA COMMISSIONER OF AGRICULTURE

North Dakota farmers and ranchers continue to suffer the effects of a stagnating agricultural economy. The State has experienced a dramatic decline in farm numbers during recent years. The impact ripples through the Main Streets of a State where over 30 percent of the workforce is employed in agriculture or an agriculturally related field. However, the State's agricultural economy may not yet have bottomed out at this time.

State government has responded to these problems through implementation of a Farm Credit Counseling Program. Trained counselors assist farmers in applying for loans, negotiating with lenders, gathering and analyzing farm records, and determining various options that may still be available to the individual producer. The program seems to be cost-effective, but is a treatment of the symptoms of the problem—rather than a solution to the problem.

The problems of agriculture have built over a period of time, and the frustrating aspect of this is that many of the root causes seem to be beyond the control of individual farmers and ranchers.

There are two key issues which need to be addressed: the farm credit crisis and the 1985 Farm Bill. The Farmers Home Administration seems to be the key to solving many of the problems related to farmers' credit difficulties. That agency needs the funding, flexibility, and staffing to provide the credit for which it was designed.

The 1985 Farm Bill is being promoted as a piece of watershed legislation. Various proposals in relationship to price are being proposed. Some advocate raising the price to the farmer through the support program to a certain percentage of parity. Others advocate reducing the price to the farmer, so that foreign customers are better able to afford purchasing the commodities—thus stimulating demand and ultimately resulting in improved prices.

The approach taken by the 1985 Farm Bill should lie somewhere in between these two. The problem with past Government price supports have been that they have provided unlimited support to individual producers.

Government loan programs provide the best market for many of our commodities today. Target prices need to be maintained at present levels, but loan rates must spur increased sales of our farm products abroad.

The strong dollar, high interest rates, and declining farm exports are closely intertwined with huge Federal deficits. Farmers are beginning to realize that they may have more at strake in getting federal deficits under control than they do in the 1985 Farm Bill. Farmers know that they must get a strong message through to Congress that deficits must be brought under control. With that in mind, I would urge you to work toward implementing a 1-year across the board freeze on all federal spending.

Senator **Andrews**. Our next witness is James Johnston. Good to have you here. Do you have a prepared statement?

Mr. **Johnston**. No; I don't. I have it written but I haven't prepared it.

Senator **Andrews**. Proceed.

STATEMENT OF JAMES JOHNSTON, SR., VICE PRESIDENT, NORTH DAKOTA FARM BUREAU

Mr. **Johnston**. Good morning, Senator, ladies, and gentlemen. My name is James Johnston, Sr. I farm with my two sons near Grafton, ND. We raise wheat, potatoes, sugar beets, and soybeans. I'm also vice president of the North Dakota Farm Bureau. I believe we need a 1985 farm bill that will allow the American farmer to produce and to sell his crops.

This summer, my wife and I took a first-time summer vacation and traveled over 5,000 miles in England and on the European continent. We didn't see any summer fallow, any set aside, any PIK acres. What we saw were beautiful wheat, potato, sugar beet, and sunflower fields. The very same crops that are grown here in North Dakota.

There's been much discussion recently about the European Economic Community being in great economic difficulty because of their agricultural policies. In reading the newspapers in Europe this summer, it was very apparent that keeping land out of production will never be one of the options used to reduce their overproduction problems.

Which brings me to my main point. And that's that the American farmer, by keeping land out of production, cannot be the regulator or world food supplies.

The Canadians planted fence row to fence row last year, when we had the PIK Program. Italy this year is producing more Durum than the North Dakota Durum triangle. England is just completing the largest wheat harvest in its history.

The American farmer needs an environment in which he can produce and sell. If we're going to have any embargoes, let's have one on new grain-storage buildings. We need free world trade. North Dakota is at the end of the road and yet a majority of our produce must be sold in foreign markets.

A good, efficient railroad is essential for every North Dakota farmer and I'm not sure the BN, the "Bad News Line" as we call it, will ever be a good, efficient railroad. The management appears to be much more interested in dodging the high income taxes in Minnesota than in keeping the trains on the tracks. Is the Government going to allow railroads to diversify out of railroading? I think that's a very important question.

You know, in the last 45 years there have been about 70 new railroad cars built for the express purpose of hauling potatoes. And they did not work out. So, all of the equipment used to haul potatoes in the United States was built in the 1930's. It's getting real old and it's rapidly going to the junkyard.

The American farmer needs lower interest rates. High interest rates and the resulting overvalued dollar is killing us. High interest rates make it very difficult for us to make a profit under current and foreseeable world prices. I support a farm bill that includes the support of target prices and loan rates that are low enough to allow our products to be sold.

It's necessary to continue the target price concept as long as interest rates remain high because of the huge credit requirements in the Federal Government. The loan prices should be low enough so that sometime during the year the crop will be sold. We cannot store our way out of problems.

As a potato grower, our principal salvation is that potatoes just do not last more than 12 months. We may produce too much this year and give them away. But next year the slate is wiped clean and we may grow a smaller crop and sell it for a profit. We are not continually penalized because of old crop surpluses hanging over our head.

Senator, you mentioned some inequities in the trade regulation with Japan. As a past president of the National Potato Promotion Board, I was involved in attempting to increase potato exports to Japan. We have been fairly successful in increasing the exports of processed potatoes. But have been completely stymied in the export of fresh potatoes. The Japanese, under the guise of disease control, require a 12-month quarantine period for fresh potatoes entering their country.

Senator ANDREWS. Not very fresh after 12 months.

Mr. JOHNSTON. Not very fresh. In conclusion, Senator, I thank you for the opportunity to appear before your committee and would urge you to allow the American farmer to do what he does best. And that's to produce and sell.

Senator ANDREWS. I'm particularly intrigued with your statement of having gone to Europe and seeing those crops. They are indeed beautiful. You probably raise sugar beets in your area, we do.

As you know, sugar beet producers in the European Economic Community receive a base price of 28 cents per pound. We have a base price of 17 cents per pound of sugar.

Their Government is paying that producer and as a result, they're producing a surplus. They dump that surplus on the world market at the current prices, I think it's 3½ cents.

And everyone in our country is saying that we ought to reduce the price or eliminate the support price of sugar because the world price is 3½ to 3¼ cents.

They also support the price of wheat. Did you talk with some of the farmers there?

Mr. JOHNSTON. I stayed with one.

Senator ANDREWS. What does he get for his wheat?

Mr. JOHNSTON. He gets $7.20 for a bushel of wheat in England.

Senator ANDREWS. How do we compete on that basis?

Mr. JOHNSTON. Well, it isn't fair. I don't think it's really going to change. But I think it would be better to spend more U.S. dollars in selling our products to the world, to the hungry people, than to try to restrict production.

Senator ANDREWS. I agree.

Mr. JOHNSTON. Every time we restrict production, we just help the other guy.

Senator ANDREWS. But, you know, if we lowered our loan rate by $1, and you know that there is only a penny's worth of wheat for every $1 of bread that we sell, if we lower the price of 1 bushel of wheat in Rotterdam by $1, they'd increase the entrance fee by $1. If we gave it away they'd put a $7 import fee on it to protect the wheat they produce. Then they'd use the $7 they make to subsidize their farmers.

Mr. **Johnston**. Yes.

Senator **Andrews**. I appreciate you taking the time to come and make an excellent statement pointing out the disparity of what our farm families here have to face, and comparing that to the prices our fellow farmers in other countries enjoy.

Mr. **Johnston**. I also ran into another interesting situation over there. That was a bankrupt potato farmer from Idaho who was managing a farm for a Saudi Arabian prince in Saudi Arabia.

Senator **Andrews**. Boy, what a combination.

Mr. **Johnston**. And he was getting $28 a bushel for wheat. The Government paid for 60 percent of all the seed, fertilizer, and machinery costs. It was a different way of farming. Thank you very much.

Senator **Andrews**. Thank you. The next witness is the Lieutenant Governor of North Dakota. He will submit a statement for the record and a statement by Governor Olson. Hello, Governor.

STATEMENT OF LT. GOV. ERNEST M. SANDS, STATE OF NORTH DAKOTA, REPRESENTING GOV. ALLEN OLSON

Lieutenant Governor **Sands**. Thank you, Senator.

I am appearing before your subcommittee today on behalf of Gov. Allen Olson to present his prepared testimony.[1] Governor Olson could not be with us today, but felt that it was most important that his testimony be considered by your subcommittee. The complete text of the Governor's statement has been filed with the committee clerk. But I would like to touch on some of the highlights of that statement because I think they are particularly important to the people of North Dakota.

But first, let me express our appreciation to you for giving the people of North Dakota the oppportunity to present their views on agriculture and the farm economy to the Senate Agriculture Committee.

I know that your committee is well aware of the daily risks associated with agriculture, especially low commodity prices, high interest rates on long-term debt, and declining land values. Today's farmers and ranchers have little or no control over these risks, yet they continue to maintain this country's last remaining world-class industry.

These conditions have been addressed by Governor Olson in his leadership role as a member of the National Governor's Association Agriculture Committee. He has worked with his fellow farm State Governors to develop a policy addressing the farm credit problem.

In late July, this policy was adopted unanimously by the Nation's Governors at their annual meeting. It includes a call for emergency action from the Federal Government to restructure the debt burden of efficient farmers and ranchers. It also calls for a revision of interest rate formulas to a level 2 to 4 percent above the rate of inflation.

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[1] See p. 101 for the prepared statement of Governor Olson.

Federal farm credit and private lenders would administer the restructuring program with Federal guarantees to facilitate its implementation. If the Federal Govenment can guarantee the debt of the Chrysler Corp.—it should do no less for our No. 1 industry—agriculture.

A copy of the 13-point proposal adopted by the Nation's Governors at the urging of Governor Olson—and recommended to the administration and the Congress with the unanimous support of our Nation's Governors—is attached to the Governor's testimony.[1]

I urge you to give it strong consideration. It does not expand farm debt, but rather relieves the burden of excessive interest rates on existing debt by restructuring the farmer's payment schedule.

As you consider farm legislation in the next Congress, Governor Olson and I would also urge you to consider actions which would expand our world markets through extended credit incentives, Food for Peace, and education, and research programs. We must make our farm poroducts affordable abroad and profitable at home.

As Lieutenant Governor, I spend a great deal of time traveling North Dakota talking to North Dakotans. I find a universal concern about the agricultural economy and the future of agriculture in America.

It's not limited to farmers and ranchers, because in North Dakota, the agricultural economy affects everyone. My background is small business, having been a department storeowner in Velva, ND. Believe me, I know that the health of the farm economy is felt directly on Main Street.

Farming is, in a way, everybody's business. We need to have a healthy, profitable farm economy, both in North Dakota and across the Nation. As you consider the various aspects of the 1985 farm bill, I urge the Congress to seize this opportunity to positively influence the course and future of American agriculture. Now is the time.

Thank you for giving me this opportunity to present my views and those of Govenor Olson on behalf of North Dakota's most important industry—agriculture.

Senator **Andrews**. Thank you very much, Governor, for that excellent statement and for presenting the Governor's statement to the committee. We want to commend you and Governor Olson for the contribution you're making in the farm policy discussions that have been going on now for several months. Its good to have you here. Our next witness is Manvel Green from St. Thomas.

STATEMENT OF MANVEL GREEN, ST. THOMAS, ND

Mr. **Green**. Good morning, Senator. My name is Manvel Green and I farm near St. Thomas, ND, in the extreme northeastern part of the State. My partners and I grow wheat, barley, potatoes, sugar beets, corn, soybeans, and some other crops.

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[1] See p. 103 for a reprint of the 13-point proposal.

I want to thank you for this opportunity to voice my frustrations to someone who can really do something about it. I have some definite thoughts and I truly appreciate the opportunity to relate them to you.

I notice that I've been allowed to speak particularly about sugar, but first, I have some other general comments that I want to get off my chest and those comments are related to the embargoes.

I notice that the embargoes are back in the news again. In the speech in the last 2 or 3 days, the President made reference to what he called the Carter grain embargo. Now, that's not entirely fair because each of the two political parties in many of the recent administrations have had embargoes.

Senator ANDREWS. You don't feel any better whether they're Republicans or Democrats, do you?

Mr. GREEN. They're both guilty and that's why the attention is not being directed to it. Now, it seems strange to me how anyone can even wonder what's wrong with American agriculture at this time if they just look at the record for the past 12 or 15 years. According to a newsletter that I read, there were three major embargoes in this last decade.

Now, Senator, in addition to the major embargoes there were many implied embargoes. The last instance being what when General Haig was Secretary of State. And not too long ago he threatened an embargo and we all thought that the threat of an embargo is nearly as effective as the real one.

Now, if that wasn't enough during that decade, we had at least two major work stoppages, or strikes, or whatever you want to call them. We lost one whole season at our port in Duluth. And I remember another time during that decade when the whole eastern seaboard was closed from New Orleans to Boston. It's not hard to figure out what's wrong. We had three major embargoes, several implied or threatened embargoes, two major work stoppages, and I remember there were some incidents in which someone would simply refuse to load a vessel with grain. It's not hard to figure out what happened.

In order to achieve any prosperity, you've got to keep the store open. You can't make any money by closing the door in people's faces. I can't attach all kinds of conditions of sale. You can't inquire about a man's position on his religion or his political beliefs or controversial issues. Or whose vote we're going to load it on.

When the man calls or an agent of a foreign government calls and wants to buy a load of wheat, or corn, or whatever, there's only one answer. That answer is: "Yes, sir, will that be cash or charge, sir?" We've learned that down at Penney's, or Sears, or some of those other great merchandisers and it seems to me that some people in Government should learn to say: "Yes, sir, will that be cash or charge, sir?"

I've been asked to talk specifically about sugar. Senator, the sugar farmers and indeed the whole sweetener industry is united in their request for sugar legislation in the upcoming farm bill. We must not be left to the so-called world market. Now, I know people are going to say: "Look, who is that guy that sits here today and in the same statement says I want free and unlimited and unrestricted access to the world market and I want protection from the world sugar market. What kind of a clown is he?" I don't have any trouble with that statement because the sugar market is protected, taxed, levied, tariffed, quoted, regulated, all over the world. Sugar is the most regulated of all commodities. There is no similar place that I know of, and I haven't heard of anyone else describe any other place, where sugar is actually free traded, as you mentioned in your remarks with Jim here just a few minutes ago.

I think, maybe, there should be a free and unrestricted market in sugar. But that's not the way it is. There's no such thing as sugar. Sugar has been regulated even before the constitutional times in colonial United States. Sugar was regulated. I don't say that that's right, but that's the way it is.

And someone always says what's this thing in the paper? What's this world sugar? Why do we have to pay, in the case of white or refined sugar, why do we have to pay 21 cents a pound when we can buy it on the world market for less than 5 cents a pound? And you described what that is briefly. It's an excess dumping price. I won't go through that again, but a lot of the world have very lucrative contracts. The farmers overplant to guarantee that they'll fill that quota, to guarantee that they'll fill that contract and they dump the excess production on what is called the world market.

Another comment I'd like to make about sugar is it relates to a discussion that I had with a national economist recently. He was talking about sugar farmers. He said that we are an insignificant minor crop and we could be easily simulated into parts of American agriculture.

I tried to find out that sugar is a major crop in eastern North Dakota and an adjacent part of Minnesota. And it is far better for us to produce for a market that exists rather than add to the oversupply of corn, beans, or wheat. And you can easily calculate, Senator, just practically in your head even North Dakota, in the upper Midwest, 400,000 acres of just 50 bushels of wheat on that land times the deficiency payment and see what the impact of that would be in dollars and cents if we were to be forced to go from producing for a market that existed on and adding wheat or some other crop that's already in surplus.

So, we look for a continuation of the present sugar program. The industry is united in its request. And I think that's a little different, sir. The many times you hear conflicting requests from groups who claim to represent the same crop and I think if you talked to Farm Bureau, or a Farmers Union, or whatever, I think you're going to get the same answers from all of those groups. I think we're united in the request for a sugar program.

The present program is working very well. The present program has no CCC outlays. No accumulated surplus, no deficiency payments, no payments in kind, no farmer on reserves, no acreage diversion, and no impact or a negative impact on the Federal Treasury. Senator, I don't see how you can improve on a program like that. When we can grow pure sweet sugar for a market that exists.

So, those are my comments. One about the embargoes—I hope, Senator, that when you come down to the final negotiation period that you banish the word "embargo" from the English language entirely. And my other request was for a section in the upcoming farm bill and I thank you, sir.

Senator **Andrews**. Thank you, Manvel, for an excellent statement. Mr. Konzak, you are next.

Our next witness is Richard Konzak.

Mr. **Konzak**. My name is Richard Konzak of Devils Lake. I farm about 1,500 acres. I'm the chairman of the commodity division of Farm Bureau. I didn't finish my prepared statement. We had a meeting up in Ramsey County last night talking about farm policy and it ended at 1 a.m.

Senator **Andrews**. Tell you what, Dick. If you want to you can summarize it here, and send in a prepared statement, the record will be open for 10 days.

STATEMENT OF RICHARD KONZAK, CHAIRMAN, COMMODITY DIVISION, FARM BUREAU, DEVILS LAKE, ND

Mr. **Konzak**. I'll do that. Thank you. Basically, the discussion, the dialog, has been covered today. The ability of the American farmer to produce, to sell, and a controversy of ideas originated last night that was addressed to a small degree today. But I will elaborate a little bit.

And sometime ago and way back when farm programs started in America, they started about the same time in Europe. The concerns were a wee bit different. In Europe, they recognized, to the various phases of wars, that each had that, the population has had a real food shortage. We, in the United States as a consumer, have never known what a food shortage is.

The European people developed a system of protection and control market pricing profit for the European farmer. We in America have done just the opposite. Even in our proposed legislation today, the proposed legislation addresses the consumer, the political acceptance levels of markets that the farmer may obtain. And should this be changed? These are the concerns, perhaps, we in America should start addressing when the profit margin of the cash flow of the American farmer is, instead of his net worth statement in his financial situation.

We also have addressed the credit as it relates to the rural situation of the American dollar. Being pegged at higher rates, perhaps, is their concern, as in previous administrations, that the dollar needs to be restructured, evaluated. In that context, maybe the American farmer, would then be placed at his ability to produce, his ability to sell.

I, too, have been in Europe. I too have seen the production, the marketing product. And it's rather interesting to see that your European farmer when he starts producing in the spring, can immediately—he knows what his price of grain is going to be that fall. He knows his input. He knows his market.

In our present program that we do have and we have developed through the various years, and I believe it's 40 years that we've had farm programs, each and every year we now have a change. What ability does the American farmer have to plan ahead other than 1 or 2 months if there's going to be land retirement, if there's going to be changes in his structure, he has very little ability to adjust his program. Yet, when he finances his operation, whether it be machinery, whether it be land, or other capital, these are on a long-term basis and he must make short-term projections.

I thank you very much, Senator, for giving me the opportunity to express the views we have.

Senator ANDREWS. Thank you very much we will be looking forward to getting your complete prepared statement.

Mr. KONZAK. Thank you.

Senator ANDREWS. Our next witness is John Bollingberg. John, it's good to have you here.

STATEMENT OF JOHN BOLLINGBERG, STATE DIRECTOR, NORTH DAKOTA FARM BUREAU, GRANDIN, ND

Mr. BOLLINGBERG. Due to advanced age, I need a little crutch. I'm sorry that at this time I do not have a prepared statement either. But I have written down some notes, Senator. My name is John Bollingberg and I'm from Grandin, ND, in Wells County. I'm a farmer raising wheat, barley, oats, corn, sunflowers, livestock, with a son that's beginning to be a part of an operation which is something that is relatively unique to agriculture and our beliefs of an owner-operator concept, basically. I'm a State director of North Dakota Farm Bureau. There's been some wonderful testimony and I think that you should be happy. I'm very happy that you offered to people in this area to testify before your committee.

Senator ANDREWS. I found you can learn a lot more listening than you can talking. Most people look on us as talkers. But we learn more listening.

Mr. BOLLINGBERG. People who have given you testimony today have offered good listening. I'd like to thank you, first, for the efforts and the success that you've achieved with the Federal research grants for North Dakota. North Dakota is one of the top agricultural producing States in the Nation. The research is where it should be and we urge you to continue with this success that you've achieved.

Then I'd like to move on to the economic health of North Dakota's agriculture which hinges in a major way on interest rates. The disparity between inflation rates and commonly charged interest rates is an abuse I urge Congress to address. The high capital requirements of today's agriculture has caused interest, at the present rates, to be one of the major expenses in a farm budget.

The real interest rate of 10 percent is a burden that agriculture cannot carry. Not only agriculture but any private entrepreneur. The Nation is built on private entrepreneurship and that type of an interest rate is a terrible burden on private ownership.

The economic health of agriculture impacts not only on farmers but the entire agricultural serving economy from a very small town business to the largest of equipment manufacturers.

I think that I thank you again for being a very eloquent spokesman for agriculture in Washington, DC. I think that the time is way past for this Nation to recognize the abundance of production in this country as an asset rather than a liability. It is an opportunity internationally to build bridges rather than walls. That we use it though rather than club an embargo. But rather as an inducement and a method to build relationships with the country.

The Third World can touch on Latin America and South America. There's a big world out there that's in dire need of what we produce. So, I believe that we should try to get a farm program together that allows market clearing prices. I think we need a target price concept because I don't think we can jiggle with some of the other things too drastically or we cause other impacts in other areas of the economy. I think short-term target price concepts is a very necesssary thing for us. I thank you again for what you have done and I thank you for the opportunity to be here.

Senator **Andrews**. Thank you very much for your testimony. Our next witness is Floyd Anderson. Good to have you here.

STATEMENT OF FLOYD ANDERSON, MEMBER, BOARD OF DIRECTORS, NATIONAL SUNFLOWER ASSOCIATION

Mr. **Anderson**. I don't have any prepared statement either. I'm Floyd Anderson from Braddock, ND. I raise wheat, sunflowers, and have a livestock enterprise. Basically, I represent the Farm Bureau Commodity Committee on sunflowers and I'm on the National Sunflower Association board of directors. So, some of the main topics that I'll be discussing will be sunflowers for the program. We carried on a survey this past winter to determine if the farmers wanted a loan program or asked for a loan program for sunflowers. The survey indicated two to one, against the loan program. Which means at this time the farmers are not interested in the loan program for sunflowers. That may change, but I feel that the majority of the farmers that I've interviewed or discussed this with would like to see it kept in its natural state, one commodity without a program. There is one area that we feel, as a board, that would help create some extra cash-flow for the farmers at this time. That would be to have sunflowers and other nonprogram crops grown on set-aside acres which was an option, I think, in one of the past programs. We would like that to be requested to be added in again so that some of the black acres that we talk about maybe wouldn't be so black. At this point in time, anyway, with the oil shortage that there is, it would not hurt the sunflower or the oil program. There is one area in dealing with the selling of sunflower oil or the product which we realize has to go overseas and that is with the Public Law 480 program which was discussed earlier. You indicated that there was sufficient funds for that program, which I wouldn't dispute. We do have a problem at times, though, with the program. And that is the program requires a certain percentage of the product to be shipped by the U.S. ships.

We have had customers that could use that credit that find out after the requirement to use the U.S. shipping, it was cheaper for them to buy from Argentina and pay the lesser shipping. Their net cost was less.

I realize the maritime shipping unions in this country are probably one of the strongest ones we have, but I would feel that this country is going to have to change some of these laws protecting them. Because there must be an awful lot of inefficiency there to need those kind of requirements. These are the basic ideas that I have for the sunflower part.

As far as the farmer problems in agriculture, I feel the high interest is probably the No. 1 issue for us, which is created by the deficit spending by the Government, mainly. I don't feel the true cost of interest should be more than 2 percent over inflation. Which right now would be pretty reasonable interest. I think history would indicate that at times that's, basically, what it should be.

One area that we have discussed here quite a long time today is family farms. What is a family farm? When I started farming, and I didn't start at a young age, the family farm that I started farming with and my brother-in-law was about 1,800 acres. Now, because of the low margins in farming, the only way for two families to survive on that farm has been to increase that acreage. We have more than doubled the size of that farm and we're not making any better profit, but we are surviving.

So, in retrospect here, a family farm is what the family has to farm in order to survive. Be it 1,200 acres or 4,000 acres, and that labor is being employed by the farmer. In other words, in our case, my brother-in-law, myself, our wives, and our children. It's a family farm. I don't think we should ever restrict size to determine what a family farm is.

I'd like to thank you, Senator Andrews, for the help that you've given the National Sunflower Association in the past. I hope that when we call on you in the future we'll continue to get it.

Senator **Andrews**. Thank you very much. Our next witness is Steve Ashley. Steve, good to have you here.

STATEMENT OF STEPHEN M. ASHLEY, VELVA, ND

Mr. **Ashley**. Senator Andrews, I'm Steve Ashley and I farm 30 miles east of here with my brother. We have a cow/calf operation, raise wheat, barley, corn, and sunflowers.

Thank you for the opportunity to testify on this matter of farm problems and programs. No one thing or any short-term solution is possible. We as farmers are affected more by outside economic forces, by political forces, and by public attitude than we are by anything we can do directly or ever achieve through any farm program, if that were the desired route. Let me take a little different approach and let's look at some examples.

First of all, an example of public attitude: Why do we as a public allow some entertainers and sports pros to make millions and yet complain when a top executive in the manufacturing industry or any production industry makes a fraction of the amount?

Second, let's review adverse economic forces. The constant search for a higher standard of living and having more time and money for leisure and luxuries is not a bad goal. However, this same goal becomes questionable when the progress is made through reducing the costs of the basic necessities of life, rather than total economic gain.

An example of this is shown by the percentage of disposable income the public spends for food. While the percentage has remained at a nearly constant 16 percent, the farmer's share has gone from near 8 percent a few years ago to around 5 percent today. The farmer, then, has paid for the extra processing, the greater convenience, and the ability to eat out more often.

The service industries have moved in at the expense of the basic industry of farming. The basic industry is then diminished and becomes less attractive for people and capital over time. We eventually lose the basis of our economic stability and growth.

We have looked at comparisons of basic production industry to the entertainment and service industry. Now, let's compare the basic needs of life. They are food, shelter, and health.

Health now takes 11 percent of the gross national product I am informed. Food takes about 16 percent of disposable income. I could find no comparison, but if you compare 16 percent disposable to 11 percent GNP after taxes, et certera, and also think of this comparison on a family basis, you will know that these two essentials of life cost about the same for the average family. In other words, the family's cost of receiving the service of health care a few times a year is similar to feeding that family a food product three times a day for the entire year. The comparison is almost unbelievable.

These are only examples of things that today are adversely affecting all basic industry, including agriculture.

Here are few ideas on what to do.

First, provide information to the public.

Second, make any changes effective gradually, so as not to cause more problems.

Third, review our economic policies, including Federal deficits and other forces causing an unbalanced dollar value and high real interest rates. These forces affect our export industries and our highly capitalized basic industries.

Now, the farm bill and its requirements:

First, it must be flexible over time to meet changing conditions.

Second, it must emphasize the world market and answer foreign restrictions and tariffs.

Third, it must provide information sources to farmers and the general public.

Fourth, it must consider world price and competition.

Fifth, it must be cost effective to help correct our Federal deficit problems.

Agriculture is the only world-class production industry left in the United States. We are the only one with a positive balance of payments. Let's keep this industry and set up some conditions where other basic industries can survive and grow also. The alternative is to continue to emphasize service industries and have the United States become more dependent on the rest of the world.

Thank you.

Senator ANDREWS. Thank you for a most interesting statement. That'll be food for thought. I appreciate your taking the time. Our next witness is Mr. Lynn Martin.

STATEMENT OF LYNN MARTIN, MINOT, ND

Mr. MARTIN. I don't have a prepared statement. Senator Andrews, I'd like to thank you for the opportunity to be here today and talk about the farm program. My name is Lynn Martin. I farm up in rural Minot here with my son, Jeff. I've been farming for approximately 30 years.

I have sat here this morning and listened to some of the discussion with some young farmers that have testified here as to the problems of farming for young farmers. And I can relate to them.

If I may, I have to use myself as an example. But having a farm for 30 years I've been through quite a bit of farm programs. In 1972, I bought the present farm that I'm on. And at that time I paid the going price for that farm and wheat was $1.19 a bushel. It was not economically feasible to pay for that land at that time with the dollar at a $1.19 wheat at 6-percent interest rate.

So, I would like to point out the fact that maybe times haven't changed a great deal for the young farmer. I think that you still have that same struggle of getting going that we had many years ago. It's not a new problem. I think it's an individual problem which you have to tackle somewhat yourself to solve that problem.

We farm a sizable operation. We have—it's not a large operation for the area, but I do want to point out the fact that I do have seven landlords. Four of those landlords were formerly what you call a family-type farm. In their early forties or early fifties. Three of those farms had sons that grew up with them on that farm who chose not to farm. And it was through their decision not to farm that enabled me to have the opportunity for my farm to grow to a productive unit in which my sons and I could survive.

And I'd like to point out that it was, I believe, it was Governor Link's father that stated his success in farming and ranching came about because of someone else's failures.

I think we have to recognize that and having read several of Hyram Drache's books on agriculture, and I'm sure you're familiar with that man, this has been the way it's been in our American culture since America became a country. That the agriculture had to survive, the farmers had to survive on someone else's failure. Because, basically, you go back to time and the prices were never always there to make an economic unit and they had to get larger to do it. So, I would like to relate to that.

And also I'd like to say that I don't believe that through the years, since the innovation of farm programs, that they have necessarily saved the farmer. Because of the fact that they have regulated what his income could be. At the time in 1972 when I bought my farm, we had acreage controls. We were so limited in wheat production that I couldn't create enough cash flow to make my payment. So, I don't see a whole lot of difference now. Now, we do plant fence row to fence row. I'll admit to that. But I cannot take this high-priced land and have it idle and pay the interest and pay the bills. It's a different situation.

So, I'm not so sure that we have a new farm program that—what the real answer is. I really think, though, that we do need lower loan rates. I can't see how we can interest a foreign buyer in our wheat when we have it priced too high. And by lower loan rates we'll move that grain off the farm. It will have to go into the channel to be exported or be sold.

Target prices, of course, will have to be high enough so that now, of course, I'm talking about a direct subsidy to the farmer. And so many people are talking about that. And we can't be in the situation that we are in now and cut it all off. It has to be something there for us to live with.

I suppose it could be said that I have farmed for farm subsidies. But when it comes to farming with a farm program, you have to farm with a program to survive. That's the only way you can survive today, nowadays, in agriculture. Because your neighbor is farming that way, and you have to. And if I may use this correlation, when I was growing up and judging in 4-H teams, it was always interesting, because when we went to 4-H contests, the first thing you wanted to know was who the official judge was. Because it reflected on how we were going to have to place those animals ourselves. Because we soon learned, after having been to many contests, that how these people would probably look at those cattle or livestock.

We have to do that nowadays with the farm program. We can't be just farmers. We have to sit back and we have to analyze this as to what you people are going to give us next year to farm with. And in that way we have to prepare for it.

In 1980, we had drought in this area. My land was powder dry. I seeded it fence row to fence row with wheat, because it was kind of obvious there was going to be a wheat history. The latter part of June, the first part of July, I harvested that wheat with my disk. And that was the way. But because of that wheat history I've been able to survive the last couple of years. And I hold no bones about it. I don't think it's right. I think that I got this far by being innovative enough on my own farm to make it work. And I don't necessarily like to do it that way.

Also as a livestock producer, since I've been involved in agriculture and farming, farm programs have always impacted livestock negatively. And I don't think you'll find a livestock man here that will argue with that. You have to live with that. They took an acreage report for wheat, I can remember one time specifically, when I had alfalfa. And I would never start a new crop of alfalfa. But that was the year they took wheat history and I lost 80 acres of wheat history, because I had to work hard to get in the alfalfa.

Just last year in the PIK program. We as a northern livestock producer were penalized because we could not graze PIK acres. But our brother farmers in the southern areas were able to graze their winter wheat. I had to set up a competitive market and buy my yearlings to put on pasture the same time they were trying to buy cattle to put on these PIK acres where it cost them absolutely nothing. Because they got a payment for those PIK acres like I did. I think it's a real inequity in the program in the past.

Another thing, soil conservation. They are all different performances. The requirements are different. But right now, my farm is, as far as cover crops and things, has categories the same as one with lighter soils and so forth. And my soil doesn't—it erodes easily.

And I would like to point out the fact that when it was fence row to fence row wheat, I had no erosion problem. I had stubble cover and so forth. I had no water erosion, and I had no wind erosion. It was very limited.

In the past year with the PIK Program the thing I had trouble with was on my PIK acres regardless of the cover. Because for some reason, dead vegetation doesn't hold the land like stubble does.

I'd just like to point out that there needs to be a change in looking at that. And if we're going to have a farm program with set-aside acres in a 4- or 5-year program, I think we need a long-range program. One that we can go farm next year and know what it's going to be without being in the farming process when it happens.

I really think that this great national resource that we have, if we're going to have, say, a 30-percent cut and dried for 5 years, let's seed it to grass. Let's have every farmer seed it to grass.

Having had the experience of soil bank land there's nothing that will improve that land more than that. We won't have black fallow to worry about or protection of wind and water erosion. We'll be building the soil. The present program does not build the soil. It only takes from it.

And the other thing is that the image of agriculture, I think, we do need a program that's conducive to a good image of agriculture. Steve talked about that and I think it's very important.

It hurts me a great deal to have, like in the past couple weeks, a group of people saying that we can't feed cereal grains and grains to livestock. Well, it's very important that we do that.

We farmers of the United States have the ability to feed the hungry people. Let somebody find a way to get to them. We're not to blame.

And then the other thing is that I see Reuben back here and Dale back here. Reuben was an office manager here and Dale is a present one. And I think we need a program that they can administer fairly. There are a lot of inadequacies between administration from county to county with farm programs. They interpret their laws different and we have a new legislation. I think it should be simple enough so that it can be administered properly from county to county. And with that I'd like to thank you for this opportunity.

Senator **Andrews**. Thank you very much. We appreciate your contribution. Our next witness is Ron Nichols.

STATEMENT OF RON NICHOLS, PALERMO, ND

Mr. **Nichols**. I don't have a prepared statement. Thank you, Senator Andrews. My name is Ron Nichols. I farm and have a small cow/calf operation about 15 miles west of here near Stanley. The point that I would like to discuss, Senator, are just three that I feel are related. The large, huge Federal deficit that we have. The real interest rates and high value of our dollar, which adversely affects our export market.

I think, that looking at the 1985 farm program, the single most important thing that Congress and the administration could get together and to do, would be to reduce the Federal deficit to zero or as close to zero as possible.

Senator **Andrews**. You're agreeing with the majority of the people there.

Mr. **Nichols**. I realize the importance that you've placed on it, and I commend you for that. You discuss it. Many of them don't seem to. They either don't understand it, or don't realize it, or politically it's not the thing to do. But as far as my occupation as a farmer and rancher, all those around me and all the small businesses, it's the single most important thing that you could do. And I believe that.

Senator **Andrews**. Even if we have to increase taxes?

Mr. **Nichols**. I believe it's going to take a combination of spending cuts and tax increases. And I think anybody with a basic knowledge of economics in our economy and a common sense approach is going to look at it that way. It's going to have to happen and I hope it happens soon.

The real interest rate of approximately 10 percent is something that we can't survive with for many years. And I'm talking about most of the farmers and ranchers in my area that are my age and younger.

A 15- to 20-percent reduction in the Federal deficit didn't help that much. It's going to have to be a huge reduction in the deficit. I would like to thank you for letting me comment and I hope that you will continue to express the importance of that.

Senator **Andrews**. I appreciate it. Our next witness is Ken Yandes. Ken is not here, then having exhausted all the witnesses on the list, let me point out that any individuals who wish to have their statement included may submit their statement within the next 10 days to our Washington office. They will be included as part of the record.

I want to thank you and I can assure you, on behalf of my colleagues, that this information will be put to good use.

We want you to know that we appreciate your coming. You've been a big help to us and our subcommittee will now stand as adjourned until 9 mountain time in Dickinson tomorrow morning. Thank you very much.

[Whereupon, at 12:20 p.m., the subcommittee recessed, to reconvene on Wednesday, August 22, 1984, at 9 a.m., in Dickinson, ND.]

OVERSIGHT ON GENERAL FARM AND FOOD PROGRAMS

FRIDAY, AUGUST 24, 1984

U.S. Senate,
Subcommittee on Rural Development,
Oversight, and Investigations of the
Committee on Agriculture, Nutrition, and Forestry,
LaMoure, ND.

The subcommittee met, pursuant to notice, at 9 a.m., in the Civic Auditorium. Hon. Mark Andrews (chairman of the subcommittee) presiding.

Present: Senator Andrews.

STATEMENT OF HON. MARK ANDREWS, A U.S. SENATOR FROM NORTH DAKOTA

Senator **Andrews**. The hearing will come to order. If some of you in the back of the room would please fill in toward the front. It's like a church, we never seem to get the front pews occupied.

I want to thank you all for stopping by to share your thoughts and ideas concerning the direction agricultural policies should take. These hearings are designed as fact-finding forums to discover the problems that you find with current agricultural policy and perhaps of even greater importance, your ideas of how we can change things for the better. As you know, we have to rewrite the 4-year farm bill in 1985. Next year our farm bill must either be rewritten, or it expires; and we go back to the basic act, which was written in the 1930's. No farm or farm organization I've seen yet would like to go back to that basic old act.

Hearings such as these—we had one in Dickinson[1] the day before yesterday and one in Minot the day before that—are invaluable for learning of the problems facing producers on a day-by-day basis. Through hearings such as this, you have the opportunity to let all of your elected officials in Washington, specifically those of us who sit on the Senate Agriculture Committee, know what you really need.

When we hold hearings in Washington, all too often we get the representatives of the various farm organizations and an occasional farmer or small town businessman who can afford to fly all the way down there. I felt that as chairman of the Senate Subcommittee on Investigations and Oversight of the Senate Agriculture Committee that hearings such as these, back in the State, would give North Dakotans an opportunity to be heard on a first-hand basis. The information gathered at these hearings will be used by our Senate Committee on Agriculture for use in formulating the agricultural policies that will impact the farm community for the upcoming year.

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[1] Note.—Because of transcription difficulties the hearing held in Dickinson on August 22 will not be printed.

We've had excellent hearings in Minot and in Dickinson. I suspect from the looks of the witness list that this one will be another excellent hearing. My thanks to you for coming.

Our first witness is Mike Vetter, Jr. Mike, would you like to take the stand? We'd be glad to hear from you now.

STATEMENT OF MIKE VETTER, JR., NAPOLEON, ND

Mr. VETTER. I am Mike Vetter, Jr., from Napoleon, ND. I am a dairy farmer, milking 48 cows right now. Our farm is 1,280 acres and we also raise wheat, oats, barley, and corn.

We are Farmers Union members. I served on the board of directors of our Farmers Union Oil Co. for 6 years, and have been involved in other cooperative and organizational activities.

As a dairyman, I really have been concerned over the direction that dairy policies have been going for the past few years. I don't believe that dropping the dairy price support price is any answer to the problems we face.

The new dairy program that was put together may work pretty good for those people who wanted to retire anyway and get paid for it. It will most likely help the big dairy outfits in California and other places like that, but in the long run it is going to hurt the family farm dairy operation.

For many years, milking was one of the few things a farmer could do to make a decent living year in and year out. It wasn't an easy job, but you didn't have to worry very much about what the price was going to be. Cattle and wheat prices have gone up and down, but milk prices were pretty steady and reliable.

I think what has happened in the dairy is just the same that happens when cattle prices are too low, and grain prices are better. Farmers start plowing up their pasture and put everything into wheat.

Over the years dairy prices have been better than many other crops. When the price of wheat, corn, and barley isn't very good and isn't steady, we put more of our grain through our cows to try to make some money.

I think that the Government has to be blamed for a lot of the dairy problem that we are having right now. If they had kept wheat prices and other grain prices up where they should have been, we wouldn't have had to add as many cows to keep the farming going.

Because dairy farmers get a monthly check and the milk price most of the time was a little better than for some other things, FmHA pushed a lot of new farmers into the milking business. They not only loaned the money for the cows, but also told these guys that they had to have a certain number of cows (usually more than they wanted), and a bigger barn, and other brand new equipment.

They put them into so much debt, that there wasn't any way they could make it work. So, they had to have even more cows.

I am not saying that FmHA is the reason there is too much milk. They probably thought they were doing the right thing, and they were doing it at the time because milking was a pretty good way to start farming. I don't think they had to have all the stuff they made these new young farmers get, but that's another story.

Anyway, the Government decided there was too much milk and began a campaign to get the policies changed. FmHA quit making loans to new dairy farmers and put the clamps down on those that were already started and needed to expand to make a go of it. Then they cut the milk price support, and started taking more money for promotion.

The problem is not that the milk price supports are too high. The problem is that other price support levels are too low. In fact the milk price is too low. We are not going to be able to make a living if milk prices stay where they are. Our costs are just going up too fast, and the milk check isn't covering these higher costs.

The trouble with lower milk price supports is that in order to make ends meet, many dairymen are going to be milking more. We have to make up the difference in some way. The result is going to be more milk in the future.

I think that what is going to happen down the road because of our dairy programs is that we will end up with fewer and bigger dairy farms, and just as much milk as we had before.

With lower price supports, the smaller dairy farmer is finally going to be forced out because he can't afford to put in the extra dollars to expand his herd and equipment or to keep his head above water in the cost-price squeeze. The larger dairy unit will take whatever they can out of the voluntary reduction program and play along until the program is over, and then go back to higher production.

If we really think about the present program, I think what really is happening is that we're reducing the number of dairy farmers, rather than reducing the overall milk production.

If we want to keep our family farm dairy operations then we better wake up and start doing something about it.

Voluntary programs for cutting back on milk are a little bit like cutting the tail off a dog, an inch at a time. You don't lose every thing right away, but you know the time is coming. Its also like credit programs. They give some more time for family farmers but they don't take care of the real problem.

I think the 1985 farm bill should have a dairy program in which every dairy farm has to cut back at least by 5 percent from their 1984 poundage. Maybe we should also have a way so that the largest milk outfits have to cut back a bigger percentage than the smaller farmers. If we really have too much milk in this country, then I think everybody has to cut back, and everybody has to get paid for it, not just the guys who are retiring or getting out of the business anyway.

If everybody has to cut back, I think we can have a lot simpler program. Our dairy program is just getting too complicated. Maybe its also time that we just have one national milk marketing order so that dairymen in one part of the country don't have an advantage over dairy farmers in other areas. This would really help in places like North Dakota, because we don't have the big cities so most of our milk goes into cheese and other products.

One other thing I want to say about the milk program. That is the money they are taking away from us to spend on advertising and other promotion. Under the new milk program, we have to pay this whether we wanted to or not. We didn't have any chance to tell the Government if we really wanted to give more money for it.

They tried to do the same thing in North Dakota. But we had a chance to vote on it in a referendum, and dairy farmers said they should be able to get back their money if they wanted it. The referendum was turned down. We didn't get the same chance to vote on the Federal Government taking away more money out of our checks.

If we really want to sell more milk, then I think what we need to do is to put more milk in the schools for school lunches and milk breaks. We need to get more milk to hungry people at home in this country and throughout the world. People are dying of hunger all over this world, yet we say we raise too much. I just don't understand why we can't help them more with milk and other food.

Since I also raise other crops, I want to let you know that we need higher target prices and higher loan rates for all our crops. With high interest rates, high gas prices, and even higher prices for parts, it all comes back to the fact that we need better farm prices so that we can pay our bills.

That's all I've got to say, Mr. Andrews. I want to thank you for letting me testify.

Senator ANDREWS. Thank you, Mike, for an excellent statement. You mentioned that it perhaps is time to have one national milk marketing order. Do you feel that that would probably be the most significant change we could make in the dairy program?

Mr. VETTER. If we have a mandatory cutback that everybody has to participate in it and you put your price support back up, you could have less—less milk. And yet the young farmer could make a payment because he'd have more money to base his payment on. Because he wouldn't have to produce more milk, we'd have more money—less milk. Yet he'd have the same amount of money as he had before.

Senator ANDREWS. Then the national milk marketing order would spread that equitably across the country?

Mr. VETTER. Yes.

Senator ANDREWS. Do you feel that there's a good deal of support for that idea among dairy farmers nationwide, or would that just be for dairy farmers from the areas far from the point of consumption such as those of us in North Dakota?

Mr. VETTER. I think it would be more in North Dakota than any other ones. If you can look at your statistics, California will show they'll outproduce anybody. And yet on this milk reduction, they increased a lot more than anybody else did. So they're the ones that are really producing more. They didn't cut back at all under this new program.

Senator ANDREWS. You don't like this new program?

Mr. VETTER. No; I honestly don't. I think if we have a mandatory—what you're doing now, according to the statistics, they're selling off the old cows and replacing them with heifers. If you look back, the records will show that you've got a lot of 500-pound heifers coming back for next year. They're all geared up for this program when it quits in that they're going to start out with brand new. They're even going to have more milk than they do now. But if you have a mandatory cutback from 1984 plus the milk—milk they've got now and also poundage they had to leave out, you put those two together, you come up with the same pounds that I have and have a mandatory cutback and price support back where it belongs, they could make the payments on that.

Senator ANDREWS. You're not making me feel bad when you say you don't like that program. It's the only farm bill in the 20 years I've been in Congress I've voted against coming out of the committee, not only for what you've said, but one other thing that very few farmers caught: It cuts the price to the farmers, but it doesn't cut the price to the consumers. You know, the payment comes out of the farmer's hide, but it doesn't reduce the price of the product going to the consumer.

Mr. VETTER. Right.

Senator ANDREWS. I appreciate your statement, Mike. Thank you very much.

Mr. VETTER. Thanks.

Senator ANDREWS. Our next witness is Ellen Linderman.

Ellen, nice to have you here.

STATEMENT OF ELLEN LINDERMAN, CARRINGTON, ND

My name is Ellen Linderman. My husband, Charles, and I have been farming for the past 8 years. We raised wheat, barley, sunflowers, and soybeans.

For the past several years, I have served as the Foster County Farmers Union youth director. I am also a board member of the Carrington City Library and a parish council member of the Sacred Heart Church.

One of the primary issues that I believe must be addressed in the 1985 farm bill is the question of how this Nation can establish land-tenure policies to provide ownership opportunities for farm families.

We rent approximately 1,000 acres. We cash rent from three landowners and share crop with a fourth landowner. Our immediate family basically provides all of the manpower necessary to farm our operation.

When you rent all of your land as we do, there is too much uncertainty from one year to the next. When this is compounded by inconsistent farm programs from one year to the next, it makes it even more difficult to make any gains in the farming operation.

Many landowners wait until they see what the farm program will be before they decide whether or not to rent the land and to see how much rent they can charge. For example, two of the landowners we had rented from looked at the PIK Program and decided not to rent the land that year. Instead he put the land into the PIK Program himself.

We are finding that landowners are not willing to rent land for more than 1 year. I think to a great extent this had been due to the many changes that have been made year to year in the farm program. I should also add that most often the decision to rent is on a last-minute basis. When you are arranging for farm operating loans and are not sure what or how much land you will be able to rent, it makes it impossible to develop any real farming plans.

The farm program needs to be designed more for the family that is actually farming the land, rather than the way it is now with landowner getting more of the benefits than the operator. I think the farm program's tendency to give more advantage to the landowner is also one of the reasons that land prices have been overvalued in relation to the land's productivity.

I am not sure of all the things that might be done to reverse this, but the very least that can be done is to put some stability back into the farm program so both landowners and operators know what they can expect for a 3- to 5-year period.

We should also look at some way to tie the farm program benefits to the farm family, rather than just to the commodities. Maybe we need a mandatory farm program with limits set on the amount that any one farm operation can receive. I am really concerned that most of the Government farm program payments are going to the large farms. We have to find a way that shifts that support to the family-sized farm unit.

We are also very concerned about soil conservation in our farming operations. However, not knowing from one year to the next whether or not we will be able to rent the land or if we will be outbid, makes it almost impossible to carry out a reasonable program of crop rotation and soil conservation. Farmers are farming land which should have never been tilled. Cash rent is encouraging farmers to mine the soil to get out what they can this year and not worry about what happens next year, especially when they don't know if they will be the ones farming that land next year.

I don't think we realize how much is being lost because of the many year-to-year changes in the farm program. It's hurting the land, farm families, and the community.

If you add the low commodity prices we have been receiving into this picture, no wonder we have been losing so many farmers in this State and across the country. The prices we get for our production in relation to our costs of production doesn't generate enough income so that you can even think about starting to buy farmland.

Faced with high land values and high interest rates, we have not been able to get a foothold. So, we are still renting instead of even being partial owner-operators. We would like to be able to own at least some of the land we farm, but all of the money generated by our farm operation has gone to pay rent and high interest rates, with little left over for living expenses.

If our country is going to have a system of owner-operated family farms, we need to greatly expand beginning farmer programs. These programs must be based on low-interest loans both for land purchases and operating expenses so that farm families can begin to gain some equity in their operation.

Higher prices for farm production will not, by itself, put farm families back on the land. So many times higher farm prices have just meant higher land values and higher cash rent. Improved farm prices in combination with long-term, low-interest loans to family-sized farm units are both needed to give new farmers the opportunity to farm.

There are two other points that I would like to make:

I consider myself a partner in our farming operation and so does my husband. I do the bookwork, keep farm records, and a lot more. Yet, when it comes to dealing with the county ASCS office, I find that my role as a partner is totally disregarded. I can't sign anything on behalf of our partnership. I am told that in order for me to be able to sign anything, we would have to go through a whole series of legal steps. To me there is no reason why farm wives should have to go through all of this in order to be treated as a full-fledged partner. Our farm programs are supposed to be designed for the family farm. Then why is it that the husband is the only one recognized as being a member of the farm family? It just doesn't make sense.

We keep hearing that the national economy is supposed to be recovering, but it certainly hasn't found its way to rural America. In the past few years, we have seen several local businesses closed, including furniture and appliance stores, and car dealerships. A couple more businesses are up for sale. Business in our rural communities is down due to the farm economy and they are having the same problems as farmers with these high interest rates. When is the economic recovery going to come to our farms and our communities?

Thank you for the opportunity to share my concerns with your subcommittee.

Senator ANDREWS. Thank you, Ellen, for an excellent statement. Initially, let me mention that provisions allowing farm wives to sign up for ASCS participation are now being adopted. As you know, sometimes it's much more convenient for the farm wife to stop by the county ASCS office than it is for the farm husband.

Mrs. LINDERMAN. That's true.

Senator ANDREWS. You also pointed out, the need for consistency in farm programs and for stability in the programs to facilitate long-range planning. We've heard that from others, and is something that deserves very serious consideration.

But you made another point that there has to be some way of protecting the rights of tenants in farm programs. Years ago, I was on the State ASCS Advisory Committee when we had limits—acreage quotas on sugar beets. In that committee we designed a special program for sugar beets, and if I remember correctly, the history went with the tenant. In that situation it worked quite well. Today in tobacco, the history goes with the tenants as well as with the land so there is that kind of precedent. Do you feel there might be some merit to that?

Mrs. LINDERMAN. Yes.

Senator ANDREWS. I appreciate that very much. Thanks, Ellen, for an excellent statement.

Mrs. LINDERMAN. Thank you.

Senator ANDREWS. Our next witness is Alan Bergman.

Mr. BERGMAN. Good morning.

Senator ANDREWS. Good morning.

STATEMENT OF ALAN BERGMAN, JUD, ND

My name is Alan Bergman. I operate a 1,700-acre cattle and grain farm in northwestern LaMoure County near Jud, ND.

For the committee's background and information, I serve as a director of the Jud Farmers Union Elevator Cooperative and James Valley Electric Cooperative, which is headquartered in Edgeley. I have served on the Jud School Board for a dozen years. I am also a charter member of the Jud Lions Club and served as treasurer of the Jud Development Corp. I have served in the North Dakota National Guard for almost 20 years and am a past president of the North Dakota Amateur Baseball Association.

Currently I am serving on the board of directors of the North Dakota Farmers Union and as president of the LaMoure County Farmers Union. I have had the opportunity to serve as chairman of the State Farmers Union policy committee and also as the chairman of the national organization's policy drafting committee.

This winter I attended a farm policy conference conducted by the Cooperative Extension Service and North Dakota State University. During those 2 days I was struck by the number of agricultural economists who cited a massive amount of statistics and charts to basically say that American farm exports are overpriced in the world market, and that what we need is a system of flexible price supports to permit market-clearing and/or competitive prices.

While I have to admit that I wasn't surprised at this contention, as an operating farmer and as a graduate of that university I was disturbed that what they were really saying is that the 1985 farm bill should provide even lower loan rates than we have today. They contended that the solution to our economic problems in agriculture was to increase our exports and our share of the world market, and do it by lowering price protection to American farmers.

If that is really the case, then American farmers should throw in the towel. If our price supports aren't able to cover our current costs of production, we are going to be even further in the hole with lower price supports.

Fortunately, Dr. Harold Breimyer of the University of Missouri summed up the debate over the export issue and its relationship to price supports by simply saying: "Regarding foreign trade, we have been saying a lot more than we know."

In terms of what is needed to improve the economic conditions in rural America, the export issue has generated more heat than light. While I fully recognize that we need export markets for our production, at the same time I believe we are placing too much emphasis on the issue in considering the directions we must take in the 1985 farm bill.

First of all, this country despite the reduction in agricultural exports from our shores is still the major supplier of grain that moves into international trade. We can make a very strong case that the volume of our grain exports or our share of the world market does not automatically increase or decrease with the level of our price supports, or with our market prices. We did not have the largest volume of grain exports when we had the lowest grain prices, nor did we have the greatest share of the world market when we had the lowest prices. Nor did we have the smallest export volume and smallest share of world trade when we had the highest grain prices. There are too many factors, including worldwide conditions, and both economic and political considerations, when it comes to our grain export volume or our share of the international market.

As the largest single exporter of grain into the international market, and as the only supplier that has a consistent reserve of grain, this country establishes the minimum world price. We do it to a large extent by the price-support loan level we establish for our producers. Other exporters will compete with us at whatever level we set that loan.

It is my belief that we cannot buy our way into the export market by lowering our prices. Other nations will simply follow our lead and reduce their export prices. The only ones hurt in the process will be the farmers in those countries who do not isolate their producers from the international marketplace. The only ones who will benefit from such pricing policies will be our export customers.

Because of the internal food pricing systems in place in most of these importing nations, it won't mean cheaper food for their customers. Instead, it is really a direct subsidy to the governments of these importing nations.

I am not trying to oversimplify the international marketplace by saying we can set our export prices wherever we please. What I am saying is that increasing exports is not a simply matter of reducing farm price supports or increase our own export subsidies.

The only consistent pattern that we can readily identify in the international market is that in times of world shortages, this country has increased its share of the international grain trade, and in times of surpluses other exporting nations have gained at our expense. There is also some consistency between the world's economic conditions and our grain exports. We tend to increase our grain exports and our share of the international market whenever the world economy is growing.

Based on these patterns we must be very careful before jumping to conclusions as to how we should deal with exports is developing our national farm and food policies.

One thing that we must consider in looking at exports is the simple fact that whenever we export farm production at less than the cost of production, what we are really exporting is our soil, our energy, and similar natural resources. In fact, we are giving these resources away. We may be able to do it for a short time, but it will come back to haunt us in the future. It is another form of deficit spending, and it will not correct itself. It will eventually bring a day of reckoning.

Another issue that I believe has gotten totally out of context is the question of the costs to the Federal Government of farm programs.

We could justifiably defend the current costs of the farm program, by citing percentage increases and comparing USDA budget increases to other Federal departments. We could also defend these costs on the basis of the impact that agriculture has upon the entire national economy, including the fact that one of five workers is dependent on agriculture for their employment and similar statistics concerning agriculture's contribution to the gross national product, et cetera. But, I am not going to defend the current Federal budget costs of the farm program, because I believe no matter how much we defend that budget, we are not likely to continue to receive proportionate increases.

We have to be realistic in seeking appropriations for agricultural programs when we look at the increasing Federal deficits. If we are practical, we know that we will not continue to win that battle. Instead, we have to face up to the budget limitations and find some more effective ways to implement farm programs.

There is an assumption that increased price supports will automatically mean higher Federal expenditures for farm programs. That assumption is not necessarily true. It depends on what else is happening in the agricultural economy, and more importantly it depends on how the farm program is implemented.

We should know from agricultural history that voluntary farm programs work fairly well, when there isn't a great difference between supply and demand conditions. We also know, especially when looking at the PIK Program, that voluntary programs are very expensive and are not very effective when supply and demand is significantly out of balance.

I believe that if we are going to face up to the Federal budget issues and the costs of the farm program, then we also have to realistically face up to whether this Nation will ever be able to spend enough to pay the costs of a voluntary program in a serious surplus situation.

If we want a farm program that effectively manages supply and demand, and does it at a cost which can be realistically gained in Congress, then we have little choice but to have provisions which establish mandatory programs, whenever the supply demand situation allows farm prices to be at less than cost of production levels.

The other issue that I believe we must begin resolving in the 1985 farm bill is the question of who are we really trying to help through the farm program. Is our purpose simply to manage supply and demand? Is it to establish price supports on a long list of various commodities? Or is it to target the assistance to family farmers?

As long as the farm program is truly designed to support the family farm system of agriculture, I believe there will be adequate support in Congress to pass the legislation. But, if the majority of benefits go to larger than family-sized farm operations, and we see more stories of multimillion dollar payments to superfarms, then it will become more and more difficult to get public support for these programs to pass such legislation through Congress.

We have to face the fact that these large payments are also a direct result of the failure of relying on a totally voluntary farm program. If we want to direct the majority of benefits to the family farm, then in periods of price-depressing surpluses we have to move to mandatory provisions adopted through producer referendums.

Whether it is the supply-management programs or in the farm credit programs, we have to do a better job of targeting these programs to the family farm. That means the farm program cannot be designed to bail out anybody and everybody. It means that we have to have more stringent limitations and stricter criteria. Where it finally comes down is that the 1985 farm bill must be willing to make and to carry out a national commitment to the family farmer and to the family farm structure of American agriculture.

Thank you for the opportunity to present my comments to this hearing.

Senator **Andrews**. Alan, is it your feeling that we should work at ensuring other nations lower their import barriers to our grain.

Mr. **Bergman**. Yes; I think that's right. Any time that, I guess, go back, we can't sell it and do this country any good by exporting, you know, at less than our cost. That's what we're basically asking for. If we're going to reduce the loan cost any more than we are right now, we're too low right now. I think if we're going to put that floor lower yet, you know, we're really not going—doing our country and especially, the American farmer any good at all.

Senator **Andrews**. Thank you very much for your testimony.

Our next witness is Myron Just from Berlin, ND. Myron, good to have you here. Myron's our former agriculture commissioner, well-known through the State. Good to have you with us.

STATEMENT OF MYRON JUST, BERLIN, ND

Mr. **Just**. Thank you, Senator. As you indicated, I farm near Berlin, ND, operate a grain and livestock farm there. I also serve—have the privilege and the honor of representing about 250,000 farmers on the board of directors of the Harvest States Cooperative——

Senator **Andrews**. You'll have to speak a little louder. She's having a difficult time understanding you, and since we are making a record——

Mr. **Just**. All right. I'll do that. I speak only for myself as a farmer, but note that I do serve as a director of the cooperative.

One of the principal reasons that we are—one of the principal issues that we're facing in agriculture today is the farm policy and the farm programs being overwhelmed by both foreign policy and fiscal policy in this country. I know that you people are aware of that. But I think again, at the same time, farmers themselves and the nonfarm public tends to view who—a farm policy in too much of an isolated manner and not recognize the input of these other factors.

The 1985 farm bill certainly must recognize that more than ever. In placing greater reliance upon the export market, farmers are facing greater volatility in the marketplace than ever before. Our farm programs have also moved toward this same export market pyschology, which has meant greater instability in both farm program and farm markets. The lack of stability in agriculture is making it very difficult for farmers in rural America to plan properly. The year-to-year swings in farm programs are having a much broader impact upon the structure of agriculture in our rural communities and the national economy than we have probably really yet recognized.

In developing programs to meet the supply-demand situation, we need a number of tools to balance supply and demand, together with improved information and analysis to producers. We must also realistically assess the ingredients that make up what is termed market demand, and to what extent it can be influenced.

The 1985 farm bill must give greater attention to the concerns and issues involved in proper soil conservation.

I think a corollary to that is the kind of expansion that we saw in the seventies, kind of a rural recognizance, population figures in the rural areas tend to move the other way. A lot of young people came back.

Now I think we're seeing things go the other way. With the distressed economic conditions in rural America, I think that sociologically it's extremely important for the—in developing programs to meet supply and demand situations. We need a number of tools to balance supply and demand together with improved information and analysis to producers. We must also realistically assess the ingredients which make up what is termed market demand, to what extent it can be produced. I think Government really has a role there. Rather than in trying to retain a free market—or agriculture produces as freely as possible, rather than—I think there's really a large role for the Government in that. But to have Government provide information to where our producers make the best possible decisions in terms of their own assessment of what present and future conditions are like rather than hamstringing the bureaucratic decisions.

But I think, given the right information to the farmers, that they'll make the right decision themselves. I'm thinking particularly of the kind of trends and patterns and the world food trade patterns, world trade consumptions. We produced livestock on our farm for 40 years, and we still have some livestock there. But I really reduced that part of it. My only reason for doing it was not—I loved to produce livestock. But per capita consumption of meat and beef products continues to go down. People are eating more cereals. I think often the farm policymakers overlook the fact that the dramatic effect that this has had on farm programs and farm production. I think in South Dakota, Montana, and North Dakota there's been close to 10 million acres of range land broken up in the last 10 years because of the economics of the livestock industry. This has had an enormous impact on the food and feed grain production side.

Farmers try to make these decisions wisely. They have a very indirect impact on the farm programs themselves. So I think we need to have farm programs flexible enough that let farmers live within these conditions.

Finally, we must recognize the tremendous expansion by agricultural production just with technological advances that we've had. I think in the last 20 years in farm programs we've seen wheat production increase from 1 million—1½ to 2½ billion bushels, probably the potential to produce over 3 billion bushels of wheat. Now we've seen what's happened with the corn production. I think that very often farm programs haven't kept up with our ability to adjust to these kinds of situations.

The other area of the farm policy thing that as a farmer I think we tend to overlook sometimes is the impact on Main Street. I would say, as a farmer, I think the conditions on Main Street are probably almost more difficult right now than they are for us as farmers. We as farmers, we have programs and wheat prices, farm prices, feed grain prices, that put a floor on it. But the people on Main Street that provide goods and services to the farmers don't have that kind of a floor. As an implement dealer in a nearby town told me last fall, he said he was probably in the most difficult situation that he had faced in 35 years, and they're still making it. But he said, "You know, our whole business is based on the ability to sell something. If farmers don't buy, you know, that's it for us." I think that maybe in development of this whole thing we need to try to incorporate consideration for these kinds of things in a better way in order to—in getting back to the idea of time, to put some stability into agriculture and try to get away from the boom-bust thing and still have flexibility within agriculture's ability to meet world food demands rather than just the domestic demands. To also recognize that we have huge variables in agriculture, weather, rainfall, or lack of rainfall; China, Japan, or Argentina really affects the world market prices. We've seen what happened with corn between weather and PIK last year. But at the same time, I think we need to develop a program that fits the objectives of farm programs.

Interestingly enough, I think the goals of the original Farm Act in 1936, I think which were to provide parity to some level, a good base of income for farmers and provide food needs for the people, for the consumers of our country at reasonable prices, I think those objectives are still good, sound objectives that the public will buy. But the conditions are so vastly different. I think that the farm program really needs to address that, not only, of course, has the current recession in the farm economy been difficult for Main Street, but we've seen it follow all the way through—well, the processing industries of North Dakota that are in trouble, the International Harvesters, the Massey-Fergusons, the White Motor Equipment, all of these kinds of people that are bankrupt. So I think that farm programs need to address all of those issues as well.

I think I've about used up my time. I feel that if we can incorporate the farm policy objectives that are sound, but at the same time have a greater recognition of the fact that—that foreign policy, I mean, Ford, Nixon, Carter, Reagan, was the factor in embargos, international trade policies that in effect drown embargos, the devastating effect that they have on agriculture. These are side effects on agriculture that become greater issues on the farm policy itself.

Then the fiscal policy, I think the suggestion that we need lower loan rates to market clearing levels is really a Catch-22. When we have a dollar that's as strong as it is now, if we lower the loan rate, the net effect of the Catch-22 is that if a Canadian dollar—Canadian wheat is 30 percent cheaper than American wheat right now, Argentine wheat, Australian wheat is 30 percent cheaper, and there's plenty of it available. If you reduce our loan rate 30 percent, the dollar is still as strong as it is compared to theirs. The net effect is their wheat is still 30 percent lower than ours. So that really doesn't solve anything. I think that it's time that we recognize all of those issues in terms of developing the farm policy and the fundamentals of the farm program.

So thank you for the opportunity to visit and present some testimony this morning. I, for myself and other farmers, appreciate your coming out to the rural areas like this because it does make it possible for the farmers to speak—to offer testimony themselves, rather than having our representatives or lobbyists do it in Washington.

Senator ANDREWS. That's why we're here. Myron, you brought up a point that I'd like a little bit more input on. You said farmers need to be given the right information. Crop production estimates fall into that category. Do you think that we—the Federal Government should do more of that?

Mr. JUST. I think that—no, that kind of good, sound information, I know that farmers have a lot of questions about crops.

Senator ANDREWS. Yes; some farmers question it.

Mr. JUST. But I feel that it has the effect of reducing price increases, overproduction, overhangs in the market. I guess I don't necessarily agree with that. I think it can have that effect. But I guess I believe that private grain companies, cooperatives, they're going to get that information anyway. There are a lot of private forecasters that provide it. So I really think that we need that information to make sound decisions, particularly, as we try to know what Canadian farmers are doing or Brazilian farmers or Australians so somebody has to provide that information.

The kind of better information I think we need as farmers is what the trends are in terms of food consumption in this country and worldwide. I think for the dairy farmer to make the right kind of plans, he needs to know and understand that families are getting smaller, that the average person is drinking less milk. Fewer children are born, they're going to drink less milk. There are more older people, they're going to drink less milk. We have these kinds of production patterns.

I as a livestock farmer need to know that people are eating less steak. They're eating more cereals and vegetables. So what impact does that have on me as a beef producer? That sends some signals to me. I think that USDA can probably do a better job of analyzing those kinds of trends and patterns and giving farmers information, pork producers, poultry producers so that they can make the best kind of decisions on their farms rather than getting into trouble and then we developing programs that set up quotas or something. I think they're extremely difficult to manage and difficult for farmers to live with.

Senator ANDREWS. The other thing you mentioned, Myron, is the fact that Canadians have an edge on us because of this 30 percent differential between the value of our grain and their grain. Are you saying that if Congress could get the deficit under control, it might do more to help farmers than any farm program they come up with.

Mr. JUST. Yes.

Senator ANDREWS. The reason that the dollar is there and—you know, when we went to school; strong dollar. Boy, that sounds good. That's got a ring to it, the dollar is strong. The only thing is that dollar and the dollar today, the strength is brought about because of the weakness of our economy. We ran a $173 billion deficit last year. We had to cover—we were unwilling to invest in covering our own deficit. We had to get from foreign investment $72 billion. $72 billion of foreign currency flowed in to cover our deficit. Many people have suggested that the farm problems start with the overpriced dollar, and end with high interest rates. Do you agree with that?

Mr. JUST. I think you hit it right. What you're saying is these kinds of factors are almost overwhelming. The fiscal policy and foreign policy are really kind of overwhelming and make foreign policies rather than farm policies. As a corollary to what you just said, I think—you farm, I farm. In 1972 I think it was when Nixon had the authority to devalue the dollar, we saw what that did in the farm exports. It all of a sudden made us so much more competitive overseas. We just cleaned the cupboards. Foreign buyers are not fools. You can buy wheat 30 percent cheaper in Canada and Australia, why should you by it from us? You and I would do the same thing if we were shopping for a tractor.

Senator ANDREWS. Do you have any other suggestions?

Mr. JUST. I think that there needs to be a greater recognition in the whole farm policy development of the local nature of it. In North Dakota that is because wheat is our stable principal commodity; we're more dependent on the local market. So I think there needs to be just a greater recognition of that. We can speak of economic development. We do all kinds of things. I work in State government. I try to bring about economic development. We all work on it in communities and statewide. There isn't anything that we can do in economic development that would bring about growth like putting 50 cents or a dollar on a bushel of wheat. We produce 300 million to 400 million bushels of wheat in North Dakota. If you could put a dollar on a bushel of wheat, you'd generate a quarter of a million, 300 million bushels of economic—and nationwide you could do that with corn or wheat, and so this is the kind of impact that this has on rural America.

Senator ANDREWS. In your statement you say we need to use a number of tools in developing new programs. What tools do you particularly recommend? What are the best tools we could use to balance supply and demand?

Mr. JUST. Farmers are paradox in that farmers say—we all say we'd like a free, unfettered market. But I think that's not true. There's legitimate role for Government in terms of supply and demand because there are 2½ million farmers in this country that make decisions. Somebody has to make some decisions when you have overproduction and you have excess production now. So I think Government has that role. Using its tools to help farmers make these supply-and-demand decisions. The big three auto makers———

Senator ANDREWS. Do you want Government to make the decision, Myron; or do you want to use the tools it has to give the information to the farmers so the farmers can make the decisions?A708A EXT .063 EDITED BY "EDSTD" ON 13-JAN-84

Mr. JUST. I think, first of all, provide farmers with the information network so that they will realistically see that, you know, we're going to have to produce something else that either our domestic consumers need or the world food, and fiber, and supply needs so that we'll move as much as possible toward producing commodities that the world can use. Then if we—then chances are we're going to have to have wheat and feed grains. We're going to have some kind of acreage restrictions in addition to that because farmers in the—in the pure competition of economics, 2½ million farmers are not going to be able to make those kinds of decisions independently. You can't have 2½ million making that decision and at the same time reducing production. I think in the thirties we went through the experience of if, oats went down to a nickel a bushel you probably still had too much oats. So we don't want to wreck the world economy in using price as a ration and try to bring that down.

So the Government has a role I think of trying to decide or try to establish a basis that to provide America and the world with the food that it needs commensurate with having reserves. I think that's where the soil conservation part of it can really provide a big role. There's a big support by the nonfarm public for good soil conservation. I think by putting away bases of land, I think that's a great way to have a grain reserve that when we need—we need food again domestically or internationally, we can draw on these kinds of acreages to bring them back into production in a period of domestic or world food famine. It serves as a soil conservation function, and it also brings food back into production.

So I think Government has to assume some of that role in terms of having inventories of where that base is, helping to maintain that income, and bring that food into the domestic and the world marketplace. At the same time, providing individual producers with a network of information that helps them know what it is in terms of food commodities that the world needs and try to make those as clearly as possible.

Senator ANDREWS. Thank you, Myron. I appreciate you for coming down. Our next witness is——

Mr. HIRD. Senator Andrews.

Senator ANDREWS. Yes.

Mr. HIRD. I'm kind of in a hurry. I'd kind of like to say a few words and then go.

Senator ANDREWS. Your name?

Mr. HIRD. David Hird. I'm not on the list.

Senator ANDREWS. Sure.

Mr. HIRD. I jotted down some notes here. What I'd like to do is just go through them with you. They're just simple statements and then questions. And they'll just be simple statements at first, then I may have to get some——

Senator ANDREWS. Your name and hometown first.

STATEMENT OF DAVID HIRD, LA MOURE, ND

Mr. HIRD. What's that? David Hird, and I work in town.

Well, nationwide, farming's the biggest industry; right? Well, that's a statement. Farming is the biggest industry.

The second statement is: Everybody's going broke. Well, around here anyway. I guess that's what we're concerned about. The next heading is: Grain prices. And the prices are low, you know, wheat's bucks. I don't know much about prices, but they're all low; and they all stay low. Money, interest rates are probably 10 percent or something, and they're really high.

Sentor ANDREWS. If you can find them for 10 percent, let me know where.

Mr. HIRD. As soon as—interest rates are higher than 10 percent. I don't know much about them.

Then I just have a simple illustration of a farmer that I know around here, a small farmer. He's really the only one I know much about. I'd just kind of like to illustrate his situation for you from what he told me just informal talk driving around the country or whatever.

His name is Cal. He bought a farm, and it's 1,000 acres about and—OK, on an FmHA loan. The first question I'd like to ask—I can answer it because he told me. But I'd just like to let you know the situation. When will Cal have paid for the farm? The answer is when—he told me when he's 70 years old, he'll pay for it. When he's 70, then he'll pay for the 1,000 acre farm.

The next question is: How many hours a day do you work, Cal? That's what I asked him. Well, I know how much he works because I work with him. He works 18 hours a day, he works 8 to 6 and then he works in the morning and at midnight, gets up at 6 and works till midnight unless it's harvest, then it's later. And doesn't sleep. OK. That point's across.

Next question—this is a statement. Someone else farms his land. He uses their machinery, someone else's machinery. There's three reasons for that. One, and I think this applies to all farmers, they just simply can't afford machinery. I'm going a little bit too fast because there's a lot to get through. I'd just like to illustrate this person's case here. Three things: He can't afford machinery, it's too expensive. A big combine costs $100,000, whatever. He can't afford irrigation because the long irrigation tubes out in the field cost horrendous amounts of money. He works 50 hours and doesn't have time to do his farming. Of course, he does because he does it. I don't know how much his irrigation costs. It costs quite a bit. I know all the machines are expensive. It's just—all of it is expensive.

Then the crops, I have some acquaintance with the crops around. Wheat, you know, corn, sunflowers, rye, and barley, that's five around here. There's probably more around here. I don't know. But like on a—I figured it out with wheat three bucks a bushel, he makes $8,000 on 350 acres. Now, I know it costs him a least $8,000 to farm that land so he's not making any money. He pays for gas, machinery, and land is $500 an acre plus he's got the interest rates he's got to pay for land. He doen't make any money. He breaks even. I know he doesn't make over $8,000 on that 350 acres with wheat at $3 a bushel. That's a fact. I think a lot of farmers don't, you know, break even. It's a game.

The next question: When did he sell the grain? He's got an FmHA loan. When he did sell it the last time he harvested it?

He sold it right away. He didn't even see the check. He didn't see the check. He sold it right away. He had no choice when to sell it because FmHA dictated the terms for him. This is just a conclusion from my simple little example of my simple friend here. All farmers have the same problems. I think that's true, too.

So the next topic I'd like to discuss is bankruptcy. Recently, I don't know much about farmers around here, you know, but I know—I was trying to figure out, six farmers that went bankrupt. You know, just on the notes here. I witnessed a guy out by Grand Rapids, one. And a guy over by Fullerton, that was another. Then there's an implement dealer out that ways of town, that's three. I think that other people could probably finish my list of six recent bankruptcies. That's around here. That went broke and out of business, bankruptcy, I guess is what it means.

I don't have much more here. I'll be done in a minute.

Does the Federal Government—this is a question: Does the Federal Government make a profit on grain trade?

Senator **ANDREWS**. Federal Government has nothing to do with the grain trade.

Mr. **HIRD**. Doesn't all the grain go to the Federal Government from the elevators?

Senator **ANDREWS**. No; it doesn't as a matter of fact. It goes into CCC storage, and it is purchased out of the CCC storage by anyone who wants to make a tender offer to the Government for the grain. In the United States, we have no Government function that merchandises our grain overseas. We depend on the international grain merchants. It makes no difference to them whether they buy wheat from us, or Argentina, or Australia. If they find a sale, say France, they go looking for that grain inventory, they may or may not buy it from us. But the Government does not sell it.

Mr. **HIRD**. What does CCC stand for?

Senator **ANDREWS**. Commodity Credit Corporation.

Mr. **HIRD**. That's who sells the grain?

Senator **ANDREWS**. No; they don't sell it. They own the note, and they accept a tender from someone for it.

Mr. **HIRD**. I don't understand much of that. Well, then I'll go on there. And then just from——

Senator **ANDREWS**. You weren't wrong, you were coming in the right direction.

Mr. **HIRD**. Oh, OK.

Senator **ANDREWS**. In fact, I have a question I want to ask you as soon as you finish.

Mr. **HIRD**. Well, we can stick with this for a little while. I don't know much about it. But I thought that like, you know, what Cal said, he says: "Yeah, the Government buys grain for three bucks a bushel. And they buy it for 10, and they sell it for three." That's what he told me. I don't know if its true.

Senator **ANDREWS**. Who does?

Mr. **HIRD**. What's that?

Senator **ANDREWS**. Who buys——

Mr. **HIRD**. Well, I know wheat's worth three bucks a bushel; right?

Senator **ANDREWS**. But the Government doesn't go out and buy it for $10.

Mr. **HIRD**. The Government doesn't buy wheat. CCC buys wheat.

Senator **ANDREWS**. But not for $10.

Mr. **HIRD**. Oh, what do they buy it for?

Senator **ANDREWS**. They take it under loan if we default on the loan. But generally we end up selling it out. Now, in——

Mr. HIRD. It isn't——

Senator ANDREWS. Let me get down to the purpose of the hearing because we've got other witnesses; but—

Mr. HIRD. Yeah.

Senator ANDREWS. You touched on an interesting topic. Let me ask one question, I think my focus on things will get us some interesting information. You've talked to a number of your friends about the farmers who were going bankrupt in the area?

Mr. HIRD. Yes. There's a number of them.

Senator ANDREWS. Now, as you talked to your friends, Mr. Hird, what is the one thing that they feel should be changed on a Federal level that would help these farmers?

Mr. HIRD. I don't know.

Senator ANDREWS. Do they in their conversations with you say that if the Federal Government would do thus and so, we wouldn't have these bankruptcies? Do they ever make any specific suggestions?

Mr. HIRD. I don't know. I know that——

Senator ANDREWS. Do you have any suggestions as to what we should do?

Mr. HIRD. Well, the basic bottom line is the price of grain's too low. You know, but then some farmers don't go bankrupt. But I know none of them have money. This year a guy said around here it was the best year ever. He was young, he was probably about 35. And then he was talking to another guy and overhead the conversation, and he said he remembered a better year. This guy was older so, you know, it's the best year in 15 years, you know, for the first part I think until harvest. So the rainfall was ideal then. And then right now, see, the corn's burning up around here. There's no rain. It's all brown. So, you know, I don't know, maybe corn's difficult to grow. I'm not a farmer. I know nothing about it. So wheat grows the best around here, and it's three bucks a bushel. Then what Cal says, he grows different crops. One grows up, he can sell it; right? Then he plants corn, and it burns up, whatever. I guess that's about all I have.

Just, I guess the main consideration of this whole issue involving La Moure County is that all the money goes out. That's my final statement. All the money from La Moure County goes out. It doesn't stay here.

Senator ANDREWS. I appreciate very much your concern. It will be helpful to us. It's good to know that those who aren't farmers themselves are concerned about the economic problems that face the farmers. Thanks for taking the time to testify, Mr. Hird.

Mr. HIRD. You're welcome, sir.

Senator ANDREWS. Our next witness is Phil Mueller. Phil, welcome to the committee hearing.

Mr. MUELLER. Thank you, Senator. It's Phil M-u-e-l-l-e-r.

Senator ANDREWS. Mueller?

Mr. MUELLER. Yes

Senator ANDREWS. My apologies.

STATEMENT OF PHILLIP MUELLER, ROGERS, ND

Mr. **Mueller**. I farm about 960 acres near Wimbledon, ND. And I farmed the past 5 years. Previous to that I worked in secondary and higher education.[1]

Maybe it was good that I didn't start farming in those early golden seventies and picked up the wrong philosophy about expansion and about buying. But I'm about ready to try some of that at this point. Thank you for the opportunity to testify, Senator Andrews. It's good to know that there's a concern for the folks down on the farm.

I'm with FmHA, Farmers Home Administration. And they did what I believe and consider to be their job. They helped me start farming, and they continue to help; they're good people. There are three points that I would like to make about the FmHA. The first one has to do with the consolidated financial statement. It's a rather long, involved accounting tool, and I'm not sure the objective it was supposed to meet could not be better met or at least met as well with a shorter and simpler instrument worked out by FmHA officials, and farmers, and the farmers they serve. I can't help but think it would certainly be less expensive than the $646,000 contract awarded to the CFS developers. Most of us do need to do a better job of accounting. On an evaluation I received recently in regard to the CFS, I was asked to fill out a statement at the end of it. I stated that it really didn't matter a whole lot how you write down red ink. It's still going to be red ink until the prices that we receive for our commodities improve and until the interest rates that we're currently having to pay come down.

The second point I'd like to make about the FmHA has to do with the administrative paperwork burden of those offices. I visit the office often for the obvious reasons. We talked a bit about the myriad of programs that they administer and the amounts of paperwork they have to contend with. Now, don't misunderstand, these folks aren't complainers; and they have not complained to me. But when I read about the things they're supposed to do for me and my fellow borrowers and aren't doing in the way of farm business, consultations, planning, and helping with the CFS and so on. I know about their obligations with the small business part of their job and the housing, their days just plain aren't long enough. They need help. I would strongly recommend legislation which would split FmHA into separate departments.

The third point to be made about FmHA is the problem that I witnessed at least in recent years where we think that Congress has legislated something that doesn't get down to the county FmHA offices. For example, FmHA was to allocate 20 percent of its operating and real estate loans to what are called limited resource borrowers at lower interest rates. For the past 2 years, at least here in North Dakota, we did not meet that minimum limited resource goal of 20 percent of the operating. I believe that goal is being met now, but it took 2 years to accomplish that. And there's the example of the $600 million economic emergency loan program. That took a Federal court order to get it released. Even then only a small part of it went to direct loans. The rest of it to guaranteed loans and higher interest rates, which serve only to help the bank folks.

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[1] See p. 117 for the prepared statement of Mr. Mueller.

I would like to get off the FmHA part of it for a bit and talk very briefly about interest rates. Interest rates are a major concern of mine. I paid out approximately 23 percent of my total farm income this past year in 1983 in interest on short- and long-term debts. I can't continue to compete with the U.S. Goverment for borrowing money. Federal spending is hurting me and most of America that is dependent on borrowed money. The rates are simply too high.

Another point I would like to bring out is soil conservation. I'm, a supervisor in our soil conservation district. We'd like to think that there are some long-overdue positive things happening in our conservation efforts. I urge the legislators from the farm areas to emphasize the importance of that soil conservation concern. The sodbuster bill and its concept is a vitally important one. The recently developed program of targeting critical conservation problems is helping and needs to be continued. Targeting cannot be at the expense of our basic ongoing conservation programs in the local SCS districts.

Finally, on something of a good-news and bad-news scenario, the bad news is found in a publication I read recently. I won't swear by these statistics, but at least this publication indicated things were kind of rough. One point it made was real prices to farmers are down 21 percent in the past 4 years. The second point, real interest rates are up as much as 1,200 percent. Real farm income, the lowest since 1933. Debt owed by U.S. farmers and ranchers today is $215 billion. I guess that is bad news.

We have good news though. We harvested in our area about 80 bushel barley and 50 bushel wheat. And we'll keep trying. But we're going to need some help. Thank you again for allowing me to testify.

Senator **Andrews**. Thank you for an excellent statement. I appreciate you taking the time to come down here.

Mr. **Mueller**. Thank you.

Senator **Andrews**. Our next witness is Richard Klosterman. Welcome to the subcommittee.

Mr. **Klosterman**. Thank you, Senator.

Senator **Andrews**. Nice to have you here.

STATEMENT OF RICHARD KLOSTERMAN, WYNDMERE, ND

Mr. **Klosterman**. My name is Dick Klosterman. I'm a farmer from Wyndmere raising wheat, corn, pinto beans, soybeans, and sugar beets, I'm here today representing my neighbors and myself. Also, I'm eastern vice president of the North Dakota Wheat Producers. I would like to speak on behalf of our producer members, also.

First of all, I would like to thank you, Senator Andrews, for taking the time and effort to give these farmer neighbors an opportunity to voice their concerns in several meetings such as we have here today. The farmers of North Dakota appreciate your efforts, Senator.

There are several issues that need consideration, and a farm program for 1985 and beyond is one of the most important, if not the most important, issue for North Dakota farmers. I have just returned from a National Association of Wheat Growers meeting where representatives of the 16 major wheat-producing States met to discuss farm policy. I'm here to report to you, Senator, on the conclusions we drew and the decisions we made based on the facts.

I would dwell on the farm policy arrived at by this group on a general basis dealing in concepts rather than minute details.

Basically, the wheat farmers are asking for a farm program similar to what we have now. A target price concept, but target prices in the same range as we have today. Farmers need to sell what they raise. Therefore, the wheat growers ask that price supports be set at market clearing levels. I understand that the National Association of Corn Growers has a policy quite similar to this. The farmer-owned reserve concept is a good one. Hungry people in the United States are no different than hungry people anywhere in the world. The FOR will help prevent this happening in our country.

The North Dakota Wheat Producers and the National Association of Wheat Growers think a 800 million to 1 billion bushel reserve is a bit high. We would like to discuss this with you in the future. It the wheat reserve exceeds the designated amount for the FOR then we recommend a form of land retirement program be put into effect to help bring supply and demand in closer balance.

Wheat farmers feel the need for a long-term conservation reserve program as a part of a production and control program. Protection of our precious topsoils should be a part of any farm program and a most important part.

And yet, all of these efforts on behalf of a farm program will be hampered unless we address three basic problems which affect farmers. No. 1 is the interest rate. No. 2 is the strong dollar, and No. 3 is our access to foreign markets.

I'll not quote a lot of statistics while discussing these issues, but I will dwell for a minute or so on the truth. Interest rates are too high for capital-intensive industries such as farming. A study was made recently of the farming industry in northwestern Minnesota. An average debt load was arrived at, and their studies indicated that a 1-percent change in the interest rate means 9 cents a bushel on their wheat. Just think what a 4-percent decrease would mean for the farmers of this State.

What good does it do to decrease the price of wheat when a stronger dollar offsets the advantage for export wheat that cheaper wheat was supposed to accomplish. The stronger dollar is hurting farmers, hurting them badly. Not only that, but if we continue to accept foreign money in this country because of the high interest rate and the strong dollar, we may soon become a debtor nation. The news media is full of the problems that these nations have.

Last but not least, we must have access to foreign markets for our products. At present we have problems with textiles, steel, copper, and more. The ramifications of hasty negative decisions contrary to the best interest of the agriculture community could cost farmers dearly.

The answer to protectionism is market promotion. Public Law 480 and blended credit are only two of many responses to the problem. Farmers want to sell what they raise for a reasonable profit. U.S. farmers must rely on foreign sales to sustain a fair market price. Access to these markets must not be denied by arbitrary, shortsighted responses to international crises by governmental agencies. Only then will any farm program succeed.

I thank you, Senator Andrews, for taking the time to visit with these fine people. What you hear here today will be valuable when you are back in Washington and are faced with many important decisions in our Senate. Thank you.

Senator ANDREWS. Thank you very much, Dick. You mentioned land retirement. Would you favor having a longer range land retirement program. Something like a 20-percent retirement under a 4-year contract.

Mr. KLOSTERMAN. Yes. I think that would be a very good approach to this. And basically—and couple it with a good soil conservation program.

Senator ANDREWS. In other words, along the line of our sodbuster bill which we have now attached to the agricultural appropriations bill amendment in the hope that we can get it through the Congress and the House?

Mr. KLOSTERMAN. Yes. The sodbuster legislation is a good piece of legislation.

Senator ANDREWS. You also mentioned you wanted market clearing price levels. Given the fact we have target prices and loan prices, does that indicate that you want target prices kept where they are or perhaps increase somewhat to make up for inflationary costs, and the market clearing be done by adjustments in loan prices?

Mr. KLOSTERMAN. Well, this is the basic concept that we feel we should approach this overproduction problem. A good market export promotion program, using Public Law 480 in particular, which has been very successful, and then retention of the target price. Needless to say, this involves considerable discussion among wheat farmers. But we're not at all happy about taking a cheaper price for our wheat. But if it's going to take a market clearing loan to get our wheat out and get it sold, if we can retain our target price, this probably, we feel, coupled with a long-term conservation program is maybe the route that we feel we should go.

Senator ANDREWS. Is the retention of an equitable target price very important, imperative in a part of your discussion?

Mr. KLOSTERMAN. Yes. It's a very important thing. This is the only way that wheat farmers are going to be able to survive and get the wheat moving into the export channels we feel. The target price is very important.

Senator ANDREWS. I was also intrigued with your statement of that study that says, it reads 1 percent change in the interest rate means 9 cents a bushel on our wheat. In my Budget Committee responsibilities, economists—it doesn't make any difference whether Democratic economists or Republican economists, whether from the liberal side or conservative side, they uniformly tell us on the Budget Committee that interest rates today would be at 7 percent if we didn't have the deficit.

Mr. KLOSTERMAN. That's right.

Senator **Andrews**. That's a reduction of 7½ percent times your figure of 9 cents per bushel, that would factor out to about 66, 67 cents more a bushel for our wheat, which would add tens of millions of dollars to North Dakota farm income.

Mr. **Klosterman**. Yes. The farm problem is not confined to a lack of a good farm program at this time. It's the interest rates, the strong dollar, there's a lot of ramifications to the lack of farm profit the farmers are experiencing. And we have to address all these issues.

Senator **Andrews**. Thank you very much, Dick, for your contribution.

Mr. **Klosterman**. Thank you.

Senator **Andrews**. Our next witness is Pat Benedict. Pat? Good to have you here.

STATEMENT OF PAT BENEDICT, CHAIRMAN, BOARD OF DIRECTORS, AMERICAN CRYSTAL SUGAR CO., MOORHEAD, MN

Mr. **Benedict**. Good morning, Mark.

My name is Pat Benedict, I'm chairman of the board of directors of American Crystal Sugar Co., a farmer-owned cooperative operating five sugar beet processing facilities, three in Minnesota, two in North Dakota. There's little I can say that will add to the Senator's knowledge and understanding of the sugar beet industry in North Dakota, our national sugar policy, or for that matter, the world sugar situation. As they say, "You wrote the book."

I appreciate the opportunity to appear here today, however, to speak publicly and for the record about our industry: One, where we are; two, how we got there; and three, our hopes for the future.

According to the U.S. Department of Agriculture Statistics Reporting Services' August 10 crop production report, North Dakota sugar beet growers will produce 2,414,000 tons of sugar beets on some 142,000 acres of land. At normal extraction rates, this translates into about 6 million hundredweight bags of sugar. And at current average market rates, f.o.b. the factories, this will mean more than $175 million pumped into this State, money from a reasonable source—resource that will be multiplied time and again as it works its way through North Dakota's economy. When one adds the input from that part of the Red River Valley on Minnesota plus the 11 other States where sugar beets are the backbone of the economy in many smaller communities, we're talking about many hundreds of millions of dollars surging into the economic bloodstream of the country.

It would be wrong to conclude from all this, however, that the program is a boon to individual producers. The loan rate for the 1984 crop sugar remains at only about 80 percent of the 1982 average production cost, according to the Department of Agriculture. Our investments are large, our risks are great; and our returns may be minimal. But all things considered including the world price for sugar, which is about one-fourth the domestic price, we regard that current program an absolute essential, a godsend, that since it's not broke, it doesn't need to be fixed. Giving credit when it is due, the Department of Agriculture is striving mightily to administer the program as you and your colleagues directed, that is, No. 1, to maintain a viable domestic sugar producing capacity; No. 2, to assure consumers of adequate supplies of sugar at prices fair to consumers and producers; and No. 3, to operate the program at no cost to the U.S. Treasury. All of that is being accomplished. But there are a great number of very inventive folks out there trying to subvert the law. Imports of sugar blended with other dry products such as starch are imposing a serious threat to the program. It seems that as soon as the Department obtains the necessary sanctions through the U.S. International Trade Commission to dry up one product capable of seriously subverting the program, another product is invented to take its place.

Those of us who closely monitored the legislative history of the omnibus farm bill of 1981 as it progressed through the Congress and became law are unanimous in asserting full credit for the sugar program belongs to the distinguished Senator from North Dakota, Mark Andrews. Your legislative skills, to the strength of your arguments and their persuasive presentation during critical debates led not only to the overwhelming—ultimate overwhelming approval of the sugar program in the Senate, but also provided the foundation upon which the total farm bill was able to build its ultimate victory for this critically important legislation.

We saw you provide leadership in the committee, on the Senate floor, and as a worker behind the scenes effectively convincing your colleagues the sugar program was an integral part of the best possible farm bill that could possibly become law in 1981. Indeed, it did become law by the fairest possible margin of one vote. It is regrettably true that most of those who voted against the final conference report on the floor of the House did so because they earnestly believed the bill wasn't as good as it should be for the various commodities. The end result, of course, was that the narrow margin of approval precluded serious consideration of any subsequent efforts to amend and improve parts of the present farm bill.

The same private interests, the large industrial users of sugar who hope to line their pockets with the profits beaten from the hides of domestic producers, have not given up the battle. The sugar program was barely a year old when it was necessary for you to once again rise to the challenge, and you were successful in defeating by a two-to-one margin on the Sente floor a bill to reduce the loan rate for sugar by 3 cents per pound. The similar bill is still pending in the Senate, and a proposal has been introduced in the House which very simply would make sugar import quotas illegal.

Neither their arguments nor their tactics have changed. They say the current sugar program costs consumers some $300 million for each penny it adds to U.S. sugar prices. They say the sugar quotas are detrimental to the advancement of the free trade ideals essential to broadening foreign market opportunities for those ag commodities we produce in surplus. They say sugar quotas are hurting our trading partners, particularly, Third World countries that look to the U.S. sugar market for a substantial part of their trade income. They are wrong on every count. Their arguments have been authoritatively, effectively, and convincingly refuted in recently released study prepared by the Economic Perspectives, Inc., titled "The U.S. Sweetener Industry in the Decade Today." I'd like to leave you with an executive summary of this story. On reading it, I hope you'll agree it will provide the factual foundation upon which renewal of the sugar program can be based in 1985.

Looking ahead to next year, we are prepared to work with every farm organization, every commodity group, every industry that is being impacted by subsidized imports, and every individual that appreciates the law, appreciates the importance of passing responsive, comprehensive, workable, long-term farm legislation. Just as a strong agricultural community is essential to this Nation's economy and the well-being of all Americans, so is such legislation necessary to the survival of this country's farmers. It can be achieved, however, only if we work in harmony and unison. With your strong leadership, we know the job will be done; and we look forward to working with you.

Senator **ANDREWS**. Thank you, Pat, for a good statement. I appreciate those kind words, I would like to find out who your scriptwriter is.

In your visits with national sugar organizations, do you find that the other world areas can produce sugar cheaper than we can?

Mr. **BENEDICT**. No; we do not find that they can produce good sugar cheaper than we can. We find that in many instances that they are subsidized at a very high rate.

Senator **ANDREWS**. Is this world price we are all hearing about a world price, or a dump price?

Mr. **BENEDICT**. A dump price.

Senator **ANDREWS**. The price of sugar that doesn't have any home. Isn't some of that sugar that goes into the world market now a sugar that's produced by our European competition who are paid—what are they paid now?

Mr. **BENEDICT**. Substantially above our rates. Actually, I think it's probably——

Senator **ANDREWS**. 28, 29 cents, something like that?

Mr. **BENEDICT**. I'm not sure at this point exactly what it is because of their three-tiered price structure.

Senator **ANDREWS**. But essentially, it has been about 28 cents a pound.

Mr. **BENEDICT**. In excess of ours.

Senator **ANDREWS**. Because our support price in the United States is 17 cents. When they exceed their production by 5 or 10 percent, they give it away and dump it on the world market.

Mr. **BENEDICT**. That's right. It's a small portion of that sugar that would be available on a worldwide basis at the dump price. But that's contributed to our high fluctuation rates that we had when we did not have the legislation.

Senator **ANDREWS**. The only areas that produce sugar at a price comparable to our support price, which is 17½ cents or thereabouts, now is the Dominican Republic where, as I understand, they can produce sugar, they think, for 16½ cents. They do that by using in a sense slave labor that they pay $10 a day and give them the opportunity to sleep in the field at night for free.

Mr. **BENEDICT**. Absolutely.

Senator **ANDREWS**. I don't really think we want to go to that. I appreciate your statement, Pat. Thank you very much.

Mr. **BENEDICT**. Thank you.

Senator ANDREWS. Now, in accordance with what we said earlier on, we'll have a 7-minute recess.

[A break was taken.]

Senator ANDREWS. The hearing is now back in order. Our next witness is Allan Braaten from Barney. Allan, good to have you here.

STATEMENT OF ALLAN BRAATEN, BARNEY, ND

Mr. BRAATEN. Allan Braaten from Richland County. I grow corn, wheat, sunflowers, and beans. I guess first of all, I'd like to say my corn bins are all empty. In July, the wheat bins were empty. I want to commend the administration a little bit for that. Of course, the Government probably helped put it there; but it really helped to have those bins empty. I think we should try and keep as many as we can empty.

As far as the farm program, I feel that a market-oriented loan is what we need. Also, we should have a target price so that we have something to fall back on, target and loan price. Our exports and foreign policy, like China hasn't bought any corn from us all year now. They were ready to buy; but the textile industry complained about their exports. I know it's an election year so I do hope that the President will make some kind of arrangements with China and also with Brazil, who imports our wheat—when we got to import their steel, of course. But it's a two-way street. So I—I feel that anything the Government can do to help promote our exports could really be helpful.

That's about all I have to say right now. Thank you.

Senator ANDREWS. I appreciate your appearing. You mentioned you want to have an oriented market following loan rates. The target price then would be pegged as it is and probably follow up toward the cost of production so the farmers would be protected more through the target price than through the loan price.

Mr. BRAATEN. Yes; that's about what I feel.

Senator ANDREWS. Is there any specific way that you would prefer to stimulate exports? We talked earlier today about the problem we have with the overvalued dollar and how that affects exports. Would you give interest concessions in foreign sales? Would you give price concessions?

Mr. BRAATEN. All those are good points. I imagine I would agree with all those things. But like I mentioned, China wanting to buy corn from us, I feel that we have to have some kind of a, you know, butter them up or try to import some of the textiles. Also, import some steel. It's a two-way street, like I said there, so that we can't just, you know, cut them off entirely from importing in our country and expect them to buy things back.

Senator ANDREWS. Thanks for coming by, I appreciate your testimony.

Our next witness is Loren DeWitz. Loren? Welcome to the subcommittee hearing. Good to have you here.

Mr. DEWITZ. Thank you, Senator Andrews. I'm Loren DeWitz from Tappen in Kidder County. I'm pretty much in a wheat and—dry land wheat and livestock area. But I'm in the irrigation business.

Senator **Andrews**. Are you in the irrigation, too?

Mr. **DeWitz**. Yes.

Senator **Andrew**. You do have some?

STATEMENT OF LOREN DE WITZ, TAPPEN, ND

Mr. **DeWitz**. I don't have any dry land that I farm so I'm kind of unique in that area.

In our area the problem that I'm seeing I guess what's been said before is interest. We have—I have neighbors who have been in the business for quite a while. They're making 2 percent profit, they're not going backwards as we talked about earlier; and they're going to make it.

My concern is not a raise in prices as much as the interest thing. I'm seeing young people that got started in 1977 to 1981, older operators that took in a son that just aren't going to make it. Not make their interest payments. Not generating enough interest to pay that 16 percent. I know interest isn't part of the farm program, but that's one of the things that's causing our biggest concern, our biggest problem right now. What bothers me is that my three neighbors, I may be next. Kind of run off of the bottom of the land and so forth. It's reducing our equity in our area.

Senator **Andrews**. One of the best features then of the farm program in your mind and your neighbors' minds is not what we do with target prices, not what we do with loan rates, but we can do with interest rates.

Mr. **DeWitz**. OK, the target price and loan rates are fine 2 or 3 years down the road. The immediate crunch right now is interest and high interest rates. It's working on a lot of them to reproduce a market in the western part of the State, it's dried up.

Senator **Andrews**. You mentioned a minute ago that you irrigated in the Tappen area. You irrigate wheat?

Mr. **DeWitz**. No.

Senator **Andrews**. Corn?

Mr. **DeWitz**. Corn and alfalfa. We have—I shouldn't say no. We have irrigated wheat. Last year we went in the PIK Program with corn and put wheat on the irrigation.

Senator **Andrews**. What kind of yields can you get with corn under irrigation, or do you use that corn for silage?

Mr. **DeWitz**. Grain corn.

Senator **Andrews**. Grain corn?

Mr. **DeWitz**. I'm looking at a 145-bushel average.

Senator **Andrews**. In other words, under irrigation in the Tappen area in North Dakota, you can get a 145-bushel average of corn?

Mr. **DeWitz**. Yes.

Senator **Andrews**. Is there much dry land corn in your area for grain production?

Mr. **DeWitz** It's virtually nonexistent. There has been grain corn harvested in this area, but it's primarily for the intention of cutting it for silage.

Senator **Andrews**. If it happens to look good, they might cut it for grain?

Mr. DEWITZ. Yes; it can happen. But 1 year in 15? It's very sandy, dry area.

Senator ANDREWS. But irrigation pays in that part of the area?

Mr. DEWITZ. Very definitely.

Senator ANDREWS. Are more of your neighbors moving to get into irrigation?

Mr. DEWITZ. Not today, no.

Senator ANDREWS. Because of the interest?

Mr. DEWITZ. Because of the price thing, and the last 3 years of adversity have stopped it. There are other areas that can be developed and will be developed. It depends on the price structure right now, it's stopped it.

Senator ANDREWS. Thank you very much.

Mr. DEWITZ. Thank you.

Senator ANDREWS. Our next witness is Bill Drummond. Bill represents the Barley Council. Good to have you here.

Mr. DRUMMOND. Thank you, Senator. I appreciate the opportunity to appear for the Barley Council. It's rather interesting listening to these farmers, none of them have really admitted that they raise barley. I hope that we can do a good job of representing the barley people.

Senator ANDREWS. We're not worrying about that any more, Bill. We have our barley in the bin. We know what it's going to do this year. Now we got to find out what kind of a price we get for it.

STATEMENT OF WILLIAM DRUMMOND, EXECUTIVE DIRECTOR, NORTH DAKOTA BARLEY COUNCIL

Mr. DRUMMOND. We have to find out where we can go with it. But again, I do appreciate it.

My name is Bill Drummond with the North Dakota Barley Council as administrator. The statement I would like to present is that North Dakota is the largest barley producing State in the country. In fact, it produces about twice the amount of the next largest producer based on 1984 production. Normally, the last several years, North Dakota has been the premier producer of barley. Of course, it is very interesting to us what happens as far as the farm program, happens as far as barley prices are concerned.

In the past, we've been a major producer of malting barley and continue. In fact, about 90 percent of the barley that is seeded annually is seeded to a malting variety. We're dependent on the industry in past years to be our major source of income, and it still is our major source if you want to consider it as a single entity. The only thing that is wrong with this consideration is that the market as far as brewing and malting industry is concerned has reached the point where it's either stagnated or it's leveling off or even the last year or so has been going backwards. As a result, we do have to look to other markets and strengthen our efforts in other areas to move the barley that we produce.

Domestic use of barley for feed has fluctuated. It's dependent mostly on price and availability of corn, sorghum, and feed wheat. We are remote from some of the major feeding areas in the United States. As a result, other grains do have advantage on export—or on transportation.

The export market has fluctuated wildly. The 1979 export total was 54.8 million bushels. In 1981 we were up to 100 million bushels. In 1982 it was at 47 million, and in 1983 back to 100 million again. Forecasts that we've read so far indicate at this time that about 70 million bushels will be exported in 1984. These fluctuations are due not only to the competition from other commodities, but in the main are due to the competition from other export countries.

The North Dakota Barley Council supports continued and increased funding of export credit assistance programs through Public Law 480, direct credit, export loan guarantees, or a blend of these credit lines as a method to interest foreign buyers in U.S. barley. The council opinion is also that the availability of these credit lines will enhance the export market and aid in stabilizing producer income. The council also requests that barley be given consideration when establishing eligibility for credit. In the past, we feel that we've been slighted when some of the eligibility factors have been built in.

It has been shown that the foreign buyer is interested in an adequate and stable supply. Because embargoes threaten and interrupt sales, the council opposes imposition of embargoes and boycotts. The 1985 farm bill should reflect opposition to the use of these procedures. I might say, we had a team that came back from Japan and Taiwan recently. The number one question asked of our people when in Japan was, "Do your remember the embargo on soybeans?" Then they would go from there. Now, this may be a ploy to gain advantage as far as prices. But those countries do remember some of the things that we did. I think that some of our arrogance has rubbed off. We listened to a gentleman from Korea in Bismarck here this spring. Of course, they've been primarily on Public Law 480 and are now developing their cash currencies. But his comment was to the effect, "We are going to spread our imports around rather than being tied to the United States because we do not"—and he rubbed his thumb on the table—"like to be under anybody's thumb."

So I think we have some areas where we do have to look to what we're doing when we get into the export business because we need it. It's a definite part of our program.

The barley council supports inclusion of a provision in the 1985 farm bill returning barley target price to an equitable level with corn. Target price for barley has been held at $2.60 per bushel for the past four seasons. While, during that same period of time, the corn target prices increased 26.3 percent. If you go back a few years and compare 1978 and 1984 target prices, corn increased 44.3 percent or 93 cents per bushel. During that same period the barley target price increased 15.6 percent or 35 cents per bushel.

The North Dakota Barley Council further supports moving the starting date from June 1 to August 1 in establishing our average barley price—prices for deficiency payment determination be changed from June 1, as I say, to August 1. As they feel that this June 1 to July 31 reflects primarily what happened last year rather than in the current marketing season. North Dakota is not the only spring barley producer. Up to 90 percent of the barley in the United States comes off the ground after the middle of July. So the feeling is that August 1 starting date would more truly reflect the actual current crop activity.

The North Dakota Barley Council supports removal from the 1985 farm bill reference to the exemption from compliance with acreage limitations for eligibility to participate in loan programs as extended to malting barley production. And this is the old malting barley exemption provision that's been in the law for two or three times. This exemption promotes production. It causes supply buildup resulting in greater reliance on Government support programs and acts as a general market price depressant.

The 1985 farm bill should reflect the ability of the United States to be a stable source of quality products for the world market. The North Dakota Barley Council supports programs that enhance the development of export market.

The council will testify when and where necessary in support of their position. I would like to also add that barley is included in the farm program generally as we feel as an afterthought. If you read the farm program literature, it indicates that in most cases barley will be included at the discretion of the Secretary; whereas, corn, sorghum, and oats are definitely in the program in a solid manner. We would like to see this rather vague reference to barley inclusion omitted. I suppose a part of it is due to the fact——

Sentor ANDREWS. Bill, you want it—back up a little bit because the record you just made, if you wanted it omitted, there's no discretion to put it in at all. As I understand it, you want it included as corn and sorghum is included.

Mr. DRUMMOND. True.

Senator ANDREWS. OK.

Mr. DRUMMOND. I would suspect that the wording as it's now presented is to make the malting barley exemption functional. In other words, if it were included specifically as corn, sorghum, and oats, the——

Senator ANDREWS. You want the bill to state feed grains shall constitute corn, barley, sorghum, and oats.

Mr. DRUMMOND. True.

Senator ANDREWS. So that all four are mentioned as feed grains.

Mr. DRUMMOND. Right. Or I believe coarse grains.

I appreciate the clarification. I also think that barley in consideration for target prices and loan prices normally is presented in the comparison with corn on perhaps a feed basis. And at the present time, we do feel that the comparison is relatively disadvantageous to barley. Looking at some of the USDA summaries and reports as to the merits of barley as a feed in comparison to corn, we find that there are many classes of livestock where barley could substitute 100 percent for corn and be equally efficient.

Senator, I appreciate the opportunity to appear. And if there are questions, I'll attempt to answer them.

Senator ANDREWS. Bill, let me make one request of you because you just testified that we want barley treated on the same level with other feed grains. Could you provide for the record these kinds of comparative nutrition studies that have been done by the Department of Agriculture to show specifically where barley should rank on price support per pound based on feed value so there would be a comparable value?

Mr. **Drummond**. OK.

Senator **Andrews**. That would help. I would like to have the record be complete in that regard.

The other request that I have is to ask you one simple question. You mentioned you wanted to get rid of the malting barley exemption. Would the Barley Council favor a separate loan level for malting barley versus feed barley because malting barley cost of production is different.

Mr. **Drummond**. I think one reason for commenting on the exemption removal is that if at the present time it is considered a feed grain, and I'm sure that North Dakota barley growers and in several of those—in several States adjacent, would be real happy if we could sort out our malting from our seed segment. I think that it would open a can of worms; but I would guess that going back for several years, this is what they would like to see happen.

Senator **Andrews**. In other words, the North Dakota Barley Council would like to open that can of worms?

Mr. **Drummond**. No; I guess I'm speaking for myself. I would want to go back and talk to my board before I made that a definite statement, but it's a—it's a premise built on discussions over several years with growers.

Senator **Andrews**. If you could share that information with us, that would be most helpful, too.

Thank you very much, Bill, for that.

Mr. **Drummond**. Thank you, Senator.

[The following material from Mr. Drummond in answer to questions from Senator Andrews was subsequently received by the subcommittee:]

On the question: Would the North Dakota Barley Council be interested in a two-price loan rate for barley, with a higher loan rate for malting barley?

The consensus of the Council is that a two-price loan system would not necessarily be advantageous to the barley producer. They would not support this action at this time. Administrative difficulties, trade vagaries (additional "feed" barley being malted), imports, and the loan as a last resort are considerations in this decision.

The Council does feel that the value of malt and high quality feed characteristics of barley should be given more weight and the overall loan rate adjusted upward.

Improvement of target price to better reflect return per acre for barley, especially as compared to corn should be considered. Using the 1983 figures for North Dakota, return to the farmer based on average yield and target price, farm gross return per acre on barley equals $119.60. On corn, equals $191.62, putting the barley return at 62 percent of corn. These figures are based on an average barley yield of 46 bushels per acre, a target price of $2.60 per bushel, and a corn yield of 67 bushels per acre and target of $2.86. The 1984 figures (August report) show even greater potential disparity with the barley return at $124.80 and corn $221.19, or a rating of barley at 56 percent of corn.

The second item you requested concerned the source I used for comparative feed values of barley and corn. The report quoted was from Walter G. Heid, Jr., and Mark N. Leath, U.S. Barley Industry. ESCS-395, U.S. Department of Agriculture, 1978, Table 7, Page 23. This table had been taken from the original research work reported by U.S. Department of Agriculture, Livestock-Feed Relationships, National and State, SB-530, Economic Research Service, July 1974.

This table is reproduced here. I draw your attention to the barley rating in comparison to corn which indicates barley as valuable as corn for dairy cows and wintering beef cattle. Also, its generally satisfactory rating for other classes of livestock and an overall nutritive value of 90 percent.

TABLE 7.—RELATIVE VALUE OF BARLEY AND OTHER COMMON FEED MATERIALS COMPARED WITH CORN WHEN FED TO DIFFERENT TYPES OF LIVESTOCK [1]

[In percent]

Item	Dairy cows	Fattening cattle	Wintering beef cattle	Hogs	Fattening lambs	Horses and mules	Poultry	Feed unit value U.S. average
Grains:								
Corn	100	100	100	100	100	100	100	100
Oats	90	85	100	90	80	90	90	90
Barley	100	88	100	90	87	95	80	90
Wheat	105	105		103	85	95	105	105
Rye	90	95		80	85			85
Sorghum	100	92	100	90	100	95	95	95
Other concentrates:								
Gluten meal	165	225		175	200			165
Gluten feed	115				90			115
Brewers' dried grains	110				100	90		105
Distillers' dried grains (corn)	130	135			200			140
Wheat bran	95		75		90	85	70	90
Wheat middlings	100			105			90	100
Oat millfeed	45	35		30	35	45		40
Corn and cob meal	90	90					90	90
Hominy feed	100	100		95	100	100	100	100
Molasses (cane)	90	85		70	85	80	50	80
Dried beet pulp	90	90			90			90
Wet beet pulp	10	15			15			15
Alfalfa meal	65			70			70	70
Soybeans	170	200		150	200	125	100	160
Cottonseed	80	140						120
Cowpeas								120
Velvet beans	100	190						120
Peanuts				100				100

[1] These values assume that the feed is fed as part of a properly balanced ration, and that it is fed to livestock of the age to which it is suited.

Senator Andrews. Our next witness is Monty Haugen. Good to have you here, Monty.

STATEMENT OF MONTY HAUGEN, MILNOR, ND

Mr. Haugen. Thank you, Mark. Monty Haugen, I'm from Milnor. I ranch and then work for the State agriculture department as a counselor to help the farmers out with FmHA.

Now, the subject was brought up on the CFS, which I agree with you, Mark, that I'm glad that we're not going to use it because we've had to use it. We've had problems with it. You present the CFS to a county committee, I've got a sheet here that we did use. Now, they had trouble using this—this thing. They couldn't use it. We've had cases where we've had to use it. And we've just—it's just impossible to understand. The thing that I want to talk about is the FmHA. As you know, I go through the State of North Dakota, work with the farmers to see if I can help them get loans through FmHA on the limited resource line. I know there's cases which we can' help. I've had three cases now where it was just—they bottomed out. I had to admit to them that there was no help for them.

But the thing is, I'm a little disturbed with the FmHA in that there's no set policies in these FmHA offices. Every FmHA office is run different. The laws for the FmHA are often run the same way. But it is not going that way. Then the other thing is we're finding out—which I have been doing now, I have been taking tape players into the offices. And we record what's going on because we have caught too many—well, I don't know what you say—lying going on with the people. One minute, they'll say something. The next minute, no, no, you didn't say this. So this is what we run into. So I'd like to see that changed around.

Then we have the selected time for the meetings with the county committees, like between loan applications and application approval. And we're running into quite a bit of difficulty in that. If I understand it right, these county committees can meet more than 1 time a month. If the backlog is back there. And we have been able to get on with this I guess. So there's so many things going on.

And I've got a case right now that was brought up about the irrigation. We work with a case right now, this farmer's got 1,500 acres. He's got irrigation. There is not in the CFR lawbook—it isn't in the registered—in the registry at all about irrigation. Now, they always say that the farmer's got to get efficient, get modern, just do a better job of farming. This farmer's got irrigation. We go in and apply for a loan with FmHA. The first thing they do, they throw it out because they said it doubles the acres—doubles the yields. It is not a family-sized farm. And we have worked it out, worked with the State department, with NDSU; and we could not come up with it. And I think that there should be a policy set on that, or law I should say, not policy. I've heard so much policy lately—is that we're going to have irrigation. We're going to have to work with these farmers in the State of North Dakota. We're going to have to try and get irrigation. And it will help the farmers with the productionwise to help meet them at least as it comes.

But anyway, we're fighting this up right now up in Washington, DC, on this irrigation. And I think it's a shame that we try to improve. And yet, improve—and they tell us to improve, and then they just shoot us right out of the saddle.

Another thing is you talk about a family-sized farm. I don't know where the discrepancy is, but the family-sized farm as I know of is a family that operates and runs the farm. Now, that's what the description to me is. But then you turn around with the FmHA, I know of a couple of cases—well, in fact, right out in LaMoure here, that the—supposed to be a family-sized farm. They're with FmHA. Yet they can turn around and have five hired men. Then we have another family farm over here, maybe they hire a part-time man. And they say: "Well, you don't qualify as a family-sized farm because you're hiring a hired man." There's too many discrepancies going on in here, in FmHA. And like I say—like I say, I have worked all over North Dakota. And I'm running into this.

Then the other thing that's going on here that I don't appreciate is the farmer that goes into the FmHA office, the first thing he hears from the secretary: "You don't qualify. We don't have no money." So they're shot right out of the saddle again, so——

Senator ANDREWS. No money for what?

Mr. HAUGEN. Nothing.

Senator ANDREWS. Operating loans?

Mr. HAUGEN. Operating and nothing. And this is what they're telling these farmers, there's money for operating on the phone. I know there isn't.

Senator ANDREWS. Let me say—let me say right here, we have more than doubled the amount of money available to operating loans under Farmers Home. We've increased that fund amount by almost three times in the last 4 years.

Mr. HAUGEN. Right.

Senator ANDREWS. Do you like the current system where a county committee makes recommendations? Do you want to eliminate that system?

Mr. HAUGEN. No, Mark, I'm going to stand behind it because I've got people that I've counseled with. They have told me they have come into the offices, they get one foot in the doorstep; and that's all the farther they have gone until they get ahold of me. Then I said: "Well, we'll go in there; and we'll work this thing out."

Senator ANDREWS. OK.

Mr. HAUGEN. And we—I'll—I will have——

Senator ANDREWS. But the discretion is there deliberately.

Mr. HAUGEN. I've got the witnesses. And I'm not backing down on it. It's a fact, Mark. This is what's going on. I have been butting heads against FmHA all the time. I'll say it right now, FmHA would be more than happy to have me quit this job as a counselor because I know that CFR law book a hell of a lot better than they do because I've been in this thing for 3 years, see.

Senator ANDREWS. That's true, Monty. We do more case work on Farmers Home things than—we have a standard operating procedure about it. We will appeal to the State level—my staff has been told we will appeal to the State level, we will appeal to the Federal level any individual who has been approved by his county committee, his neighbors, a bipartisan group. It isn't structured by any administration. But if he's been approved by that local committee and somehow or another can't get the loan, we'll appeal it all the way to the top. The thing is you have to respect that basic local committee.

Mr. HAUGEN. Right.

Senator ANDREWS. Or you lose the individual separate county flavor of agriculture. And I don't think any of us want to give that up.

Mr. HAUGEN. OK. The thing is, OK, you're talking about county committees. I'll go this way: You know it's too bad that we can't take these county committee people to some school or something so they know what the law is. To me it's just like this: I come in with a farm plan to the supervisor. And I say, "Here we are." And he's just like the minister. He looks it over and everything else. He's getting ready for his Sunday sermon. Here comes his congregation and sits down. He gives them the sermon, and a lot of these farmers don't even know what the law is. And they go with what the supervisor says. You know, this is what I have to see in some of these cases.

Senator ANDREWS. But there are farm organizations, and others who are able to give that kind of information, right.

Mr. HAUGEN. Right.

Senator Andrews. Perhaps these hearings and the people that are covering it can help by letting the farmers know that the discretionary power is given to the county committee are there deliberately. But if they've got some problems interpreting it, there are a number of different places they can go for help.

Mr. Haugen. Right now I just called the State department this morning while the hearing is going on. So far they've had 12 calls in from farmers for help. Now I've been saying this for the last 3 or 4 years, what is going to happen in the farming community, we're going to go broke. And this is what's happening. Nobody would believe us, you know. So anyway, this has been going on.

And another thing is—I'd like to get into is I've run into a case right now, I have to go up the western part of the State where farmers aren't getting enough money from FmHA to put a crop in, for family living. I've helped quite a few cases already. I have to dicker with social services to get food stamps. And I've got a case right now I have to get up and take care of. And I don't think that is right. And then when they go up to the social service office, they say, "You don't qualify." You know, they don't qualify. And this one party I talked to last night, they didn't even send their papers in to get them. Social services already says, "You don't qualify." You know, this is the thing—and it's getting really terrible what's going on. You'd be surprised, Mark, when you go out in the country like I do the families that are getting abused. It's a tension out there. I've seen places where they don't have groceries. I have taken out of my own pocket $200 and given four families $50 so they could buy groceries, so they could live there.

Senator Andrews. I'm not surprised.

Mr. Haugen. I mean, it isn't that glorious out here, you know.

Senator Andrews. That's why we have got an 800 number in our Fargo office. I can tell you all kinds of horror stories.

Mr. Haugen. Right. And the delinquency rate is going up.

Senator Andrews. To tie this down, we're time sensitive because we're got other people who want to testify, do you have any specifics to recommend as far as how we can change the law to be more responsive; or is the thrust of what you're saying, Monty, is that we have to give the farmers more tools to be able to interpret the law as it presently exists as far as Farmers Home?

Mr. Haugen. Well, I can do it—I can write it up and send it in to you and all this.

Senator Andrews. Do you have some recommendations for changes in the law?

Mr. Haugen. Yeah. I'll write it up and send it in to you.[1]

Senator. Andrews. OK.

Mr. Haugen. You know, I won't do it right now; but I will send it in. And the thing, you know—I was going to say one more thing. Maybe you won't appreciate this. But I think it's kind of disturbing when working with these farmers, we can't seem to get money; but then we get a lost friend, he can walk in and get a $400,000 loan, 5 percent and 8 percent money. And he can get it. But we've got these young people out here, family-sized farms, we have to sit out here and beg and you name it to get this money. And I don't think that it right. I think the consideration comes from a family-sized farm first; then if these big operators that want to go out here and buy land in three or four States, let them wait at the bottom of that pail.

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[1] As of press time the information from Mr. Haugen had not been received by the subcommittee.

I want to say one more thing, Mark. Is that now with the delinquency business coming up, I know I've been up in the Bismarck area for foreclosures coming up right and left. I've checked with the Federal land bank. Gosh, I don't know, 1,500 people that they service; and I think 1,400 of them are delinquent. What I'd like to see is that—I don't know if the Government can do it. Maybe the people are going to have to get up in arms and do it. But at least have these financial institutions still hold off on foreclosures until at least we can see what we can work with them to transfer it to FmHA if possible.

I thank you very much for the time.

Senator ANDREWS. Thank you very much, Monty, for your interesting testimony.

Our next witness is Florence Hagensen. Florence, good to see you here. Got to come down to LaMoure to see your neighbors.

STATEMENT OF FLORENCE HAGENSEN, MAPLETON, ND

Mrs. HAGENSEN. Isn't that something? Thank you for coming, Senator Andrews.

I am Florence Hagensen of Mapleton. My husband and I have farmed for close to 40 years. That's just about the top of the hill. And during that farming experience, we're watched all these farm programs. We're like every other farmer, we live for next year to see what the program's going to be. And during that time, I think those programs have brought a lot of greed to the farmers. They—the farmers are just—some of the farmers are seeing how much money they can make off the program. And I think that's what got a lot of these farmers in trouble.

The farmer is a very independent person. And I think we should keep any program that's possible to the minimum and let him scrounge for himself. When he gets in trouble, then help him. I think the farmer can keep himself out of trouble if we don't have too many Government controls.

That farm bill is so big, I—I would dare say there's 95 percent of the people in this room that don't understand it. You probably understand it better than anybody else because you deal with it.

Senator ANDREWS. But I don't recognize it as my own child when I have to deal with it as a farmer out in Mapleton. It gets strained through so many different levels.

Mrs. HAGENSEN. There's so many fingers coming into that bill that it's—it's really—it's really not a farm bill as far as I'm concerned. And our country is so big you can't have one bill to satisfy everybody. It would be nice if that farm bill could be for each section of the country and then deal with—deal with it on a more of a statewide deal. Because any time you get the Federal Government into any program, you lose a lot of your independence. And our farmers are very independent people.

And I'd like to say to that lady who was up here that didn't go into the ASCS office, she can go in there very easy. All she has to do is sign a paper of power of attorney. And she can figure out anything she wants without her husband even knowing it if she wants to, because I do.

I thank you, Mark, for coming.

Senator **Andrews**. Florence, are you giving these ideas as a representative of the Farm Bureau?

Mrs. **Hagensen**. No; this is my personal opinion.

Senator **Andrews**. We've heard a lot of discussion in the other hearings and a little bit of it here. How would you define a family farm?

Mrs. **Hagensen**. Boy, we've thrashed that so many times. Well, I wrote to the Department of Agriculture of North Dakota to try to get a definition. But that was as vague as what I'm probably going to say, too. But I think a family farm is where a man can support his family to a good living without having any outside interests and without farming the whole country. And as far as acreage, I don't think you can put an acreage on a family farm because some people are not going to have as good of land as some others. But a family farm I think should be a full-time employment for a farmer where he wouldn't have to go out and supplement his farming; and yet, he should—should be able to have some freedom, too.

Senator **Andrews**. Operate it essentially with his family.

Mrs. **Hagensen**. Yes. I don't think it should be a township or so because to me, you're—you're not——

Senator **Andrews**. No.

Mrs. **Hagensen** [continuing]. That's—that's big, big business then.

Well, that's what I'm going back to, this program has caused a lot of grief, these farm programs. Like down in Texas and Southern States where they have this prairie land in the wheat program, they plowed it up. If they could get 15 acres, they're in the wheat program. That stuff we don't need. There's land that should never be broken up. Montana has broken up land that should never have been broken up. And they're putting wheat in it.

Senator **Andrews**. Do you support our sodbuster legislation?

Mrs. **Hagensen**. I guess so.

That land should stay. We should never break that land up that never was broke up because we got—we're cementing our good land with cement for cities. You know that.

Senator **Andrews**. Yeah, too much of it. Thanks, Florence.

Our next witness is Brunno Kinzler. Brunno, good to have you here.

STATEMENT OF BRUNNO KINZLER, MONANGO, ND

Mr. **Kinzler**. Thanks. I'm Brunno Kinzler from Monango. And I was asked to come here for the dairy part of the program. Support prices should be lowered or eliminated completely because I feel that the support prices help the companies more than they help the farmer. They have lowered the prices to us from $12.67 for our area to $12.21 right now plus they take 50 cents off the top of that. We have not participated in the program. Our surplus is dropping and there is a shortage of milk in all States except California, I believe California has been increasing. And I feel that if we lower the support price, or eliminate it, it would lower the price in the stores and consumption would go up. With our marketing order that we have in the Stabilization Board here in North Dakota, it has created a problem with the towns that live close to the borders. For example, Aberdeen was selling milk for 39 cents a gallon earlier this spring. We pay $1.22, I believe, for 2 percent milk here in North Dakota. So most of the people of Ellendale went to Aberdeen to buy their milk.

The other thing that I was going to mention was on the PIK thing for the dairy, I hope it doesn't have the same effect that the PIK had on the wheat program where this year we have a very abundant wheat crop. All the reserve acres that were put in last year went back to wheat. Therefore, now we have just as great a surplus or greater than we had before. I know a lot of dairy farmers that have culled the lower producing part of their herds. They've kept their better cows; and if they're above their quota, they have bought hogs. And they're feeding them milk, and those will be coming on the market in the near future, which I'm sure is going to help the hog prices.

One other thing I was going to mention, being that we are diversified, also, in wheat and beef cattle, I would like to see the programs, if there are any, and being that the Government is in the marketing of our crops, maybe they should help in the production and pricing of our crops. I would like to see longer programs so we don't have to wait like I did last year, when I signed up for the wheat program, it was changed after I signed up. I'd like to know what the programs are so we can plan ahead for a 5- or 10-year period. And if there are programs and target prices, what is happening in our county, I believe as it is in every county, where any time—anyone establishes his average and raises the average of his farm, if they're lower, these people that do not go through the establishing of averages, it will lower their county average. And with the land being so different here in Dickey County, maybe this is not good. I don't think that's really right because the Government gives each county a set number of bushels, then they do with it whatever they wish. I believe that's all I have.

Senator ANDREWS. You're on the Farm Bureau on the dairy committee; aren't you?

Mr. KINZLER. Right.

Senator ANDREWS. Is this essentially the feeling that the Farm Bureau Dairy Committee has? Is there a dairy committee recommendation?

Mr. KINZLER. Not from the committee, we have not.

Senator ANDREWS. OK.

Mr. KINZLER. It is Farm Bureau policy to have a free marketing system.

Senator ANDREWS. I was wondering if you had a set of recommended guidelines that your dairy committee had drawn up that you could send to us.

Mr. KINZLER. We do not.

Senator ANDREWS. Thanks.

Mr. KINZLER. Thank you.

Senator ANDREWS. Our next witness is Les Nesvig. Les, good to have you here.

STATEMENT OF LES NESVIG, PRESIDENT, NORTH DAKOTA BANKERS ASSOCIATION

Mr. NESVIG. Thank you. My name is Les Nesvig. I'm a banker from LaMoure. And I'm currently the president of the North Dakota Bankers Association.

The North Dakota Bankers Association, representing 173 of the State's 178 banks, believes that the depth of the farm problem varies widely and dramatically from one area to another, ranging from a matter of concern to a crisis in some cases. NDBA endorses a USDA plan for a voluntary private and public program to educate both farmers and lenders on the governmental and private options available for restructuring farm debt and assets.

In spite of many current difficulties, North Dakota bankers expect to stay with most of their farm customers. The USDA plan would also offer farm management advice and assistance to troubled borrowers.

Farm debt problems have in many cases gone beyond the traditional, cyclical patterns and may have become structural. This illustrates the need for practical, hardheaded restructuring of the farm debt.

Overall, bankers remain determined to work with any farm customer who realistically has a future. Today's great—greatest needs are for economic stability and time to methodically restructure debts and assets.

While acknowledging the importance of FmHA loan guarantees and disaster loans as a means of securing—securing short-term stability, North Dakota bankers believe that additional Government spending is not needed.

Government loan and subsidy programs have not removed the fundamental sources of the farm problem, nor is more Government spending likely to do so. The best medicine that Government could provide are balanced budgets, balanced by spending cuts, not by tax increases.

Federal deficits are first and foremost the cause of today's farm finance problems. Market reponse to those continuing astronomical deficits has kept real interest rates far too high.

Several other factors have combined to bring farm difficulties to a head: Extremely poor weather, spiraling farm input costs, depressed commodity prices, embargos, declining land values, and the fallout from two decades of persistent inflation.

Bankers predict that some farm liquidations in North Dakota will unfortunately be necessary, most of these cases where the operations have long been marginal at best and where there is little reason to hope for any major improvement. Nevertheless, in the vast majority of cases, practical debt restructuring can restore farm customers' viability.

Bankers have witnessed a wide disparity in the level of local cooperation by FmHA officials and have discussed numerous ideas for improving the situation. These ideas include expanding the authority and membership of local FmHA loan review committees and substantially upgrading training for the agency's staff and adding additional staff.

For the present, however, the recently instituted farm—or FmHA-approved lender program provides a good avenue for early action to help farm borrowers.

Greater recognition of agriculture's unique problems and a resulting increase in the level of cooperation and flexibility is needed from bank regulators and from farm credit agencies. Congressional notification could be most beneficial in achieving such assistance.

Reflecting the widely varying agricultural situation, bankers have reported conditions ranging from mild, but chronic, collateral deterioration to near-critical cash flow stoppages.

Collateral deterioration has stemmed primarily from declining land values and equipment resale difficulties, that, at least in some areas, have cut bank's ability to grant new credits. On the cash flow front, depressed commodity prices have substantially reduced farmers' ability to service debt or to take on any new debt.

These difficulties have persisted far beyond what would have been expected in a traditional, cyclical pattern, and farm operators' financial problems now are being reflected on the balance sheet of agribusiness firms and numerous Main Street businesses of North Dakota communities. Bankers question national statistics—statistics that suggest the decline in farm land values has stopped or reversed itself in many States.

Most farm customers of North Dakota banks can survive another year, perhaps even 2 more years, of continued adverse conditions. The resources do exist to handle most current problems.

On the average, the financial condition of 20 to 50 percent of farm customers has declined significantly over the past 3 years. Almost no lenders report any significant financial improvement in their customer bases, but another 10 to 50 percent of farm customers are reported to have remained in about the same condition over the past 3 years.

The critical problems faced by a large number of farm operators should be set against the fact that an apparent majority of farm customers remain in stable financial—financial condition. Yearend 1983 statistics show that about half of America's farmers carry no debt burden at all.

North Dakota bankers are seriously alarmed at legislation pending both in the State legislature and in Congress that would eliminate a provision of the Uniform Commercial Code that say a buyer who purchases farm products from a person engaged in farming is not necessarily clear of security interests that the seller may have created and in doing so, takes these products subject to any outstanding liens. Such legislation, particularly at the national level where the States would be precluded from addressing this matter, is extremely ill advised. Without this exception in the law, lenders would be forced to seek other collateral for their loans and lend only to farmers who could qualify for credit on an unsecured basis. Either way, the cost of agricultural credit would be increased; and the availability of farm credit would be reduced. There are workable alternatives, such as a central filing system for liens, that would solve the problem without punishing a great number of honest farmers. The North Dakota Legislature will likely consider central filing in 1985.

As is always the case, much in agriculture depends on the unpredictable, especially the weather and market interest rates. Better weather, a major downturn in the cost of money, and/or a significant enhancement in export opportunities, would make a big difference for any farm borrows.

Thank you, Senator.

Senator ANDREW. Les, you testimony indicated that across the board the farmers' economic situation has deteriorated in the last 3 or 4 years. That means the good farmers, and the medium operators, and the poor operators have all rather uniformly suffered reversals as far as their financial standing is concerned.

Mr. NESVIG. That's correct.

Senator. ANDREWS. And the ones, of course, that are the poorer operators necessarily are the ones that are forced out in that kind of a situation. But these poor operators are not really poor operators if everybody's caught in that same web.

Mr. NESVIG. That's correct.

Senator ANDREWS. And you also say that these depressed commodity prices are now beginning to be felt even stronger on Main Street. The smalltown businessman is being severely impacted because of a lack of income on the farm.

Mr. NESVIG. In our community, as you well know, is in one of the more depressed areas of the State probably because of production problems. Looking back in the last 2 years, what's happen in our Main Street, it's a very—it's a crisis is what it is. We've lost 20 percent of our businesses.

Senator ANDREWS. You've lost 20 percent of your business in LaMoure?

Mr. NESVIG. In the last 2 years.

Senator ANDREWS. Part of that though is due to low yields because of the fact too little rain fell.

Mr. NESVIG. Production problem.

Senator ANDREWS. Isn't it time that a farm which could cash flow at 7 percent interest, has very little chance of doing so at 15 percent?

Mr. NESVIG. That's right. That's why I mentioned we feel the—the deficit is the—is the cause of the problem is that—realizing that can't be dealt with on an immediate basis. But it's got to be dealt with to solve the problem in the long run. Shortrun solutions are restructuring the financial statement and the farmer's debts and assets.

Senator ANDREWS. So in your mind, the high interest rates coupled with the lower farm prices are a double whammy. And each is responsible.

Mr. NESVIG. Right. We feel that a severe blow was dealt to our farmers and our business people when interest rates were deregulated and skyrocketed the levels that they—they went to. It made them look like bad managers. And yet, when they made their decision to expand, or to buy, or to build, they based that decision on interest rates that historically or traditionally, what have you, had been in the area of 9, 10, 8 percent, in that area. It was a good business decision based on those considerations. Well after deregulation came along and interest rates skyrocketed, it made them look like bad managers.

Senator **Andrews**. So your good managers were made out to look like poor managers because of conditions over which they had no control.

Mr. **Nesvig**. No control, that's correct.

Senator **Andrews**. And the interest rate, as we discussed earlier, not only is caused by the deficit; but the deficit caused the higher value of the dollar versus other currencies.

Mr. **Nesvig**. Yes; it's my understanding that in the credit market now the Government is in there for 50 cents on every available dollar. In other words, they're competing with the banks and other lenders to get those dollars.

Senator **Andrews**. Your bank statistics are showing that there's a credit market need of what, $350 billion now in the country? The Government takes up half of that.

Mr. **Nesvig**. That's the statistics I've seen.

That would be a real help to the bank to be able to have the guarantee on their loans. That would enable them to provide the credit that their customers need.

Senator **Andrews**. Without the loan guarantee, the bank examiners might come in and look at the statement with the depreciated value of the machinery and the depreciated value of the land and force you to close the farmer out. Then he would have to go knocking on Farmers Home doors or the PCA's door; and that would be a difficult avenue, too.

Thank you very much for sharing with us before the committee.

Mr. **Nesvig**. Thank you.

Senator **Andrews**. Our next witness is Jim—no, Mrs. Don McCabe. Is Mrs. McCabe here?

Our next witness then is Jim Brokaw. Jim, welcome to the hearing.

Mr. **Brokaw**. Thank you, Senator.

Senator **Andrews**. Glad to have you here.

STATEMENT OF JIM BROKAW, NORTH DAKOTA STATE LEGISLATURE, FORBES, ND

Mr. **Brokaw**. I'm Jim Brokaw, dairy and beef farmer and State legislator from this district. And I do thank you, Mark, for coming out and having this hearing. I think as the crowd is here, as you can see, there's a lot of people that are concerned about what's happening in agriculture. It goes far beyond politics, and I think we have to approach it from a bipartisan way. It's very serious out here. As you know, the bankruptcies and the foreclosures are up dramatically. Like 100,000 acres of land in this area that haven't been bought, no buyer. Kind of like the mouse that was caught in the trap, when somebody came along and asked if he wanted some more cheese, he said: "No, I'd like to get out of the trap." But that's kind of the situation we're in.

What we need—you know, loans and that, ride you over for the moment. It's like a Band-Aid when you need an operation. What the situation that most of these farmers are in or a lot of them are getting into, is that they can't service the debt. They can't cash flow that farm. They can't make their payment to Federal Land Bank, to FmHA, and foreclosure or bankruptcies are the next thing.

What we need is a time out or a moratorium of some kind, and then address this problem. And I think as some of the other speakers have alluded to or talked about, it's restructuring this debt and bringing on a program that can cash flow. I think we should keep that farmer on there because if we don't keep him on there, we're in a very serious problem of losing our family farmer forever. And I don't think ~~in most~~ cases that you can bring another farmer in that can operate that farm any better than it's being operated, no. So why shove him off? Why send him to town? Why put him in the ranks of the unemployed or take a job away from the city people? And it's going to take a dramatically low interest rate, or loans, or tremendous structuring of some kind to keep him there. We also—in your talking about rewriting the farm bill, in my best hopes, I'd like to see someone along the line who would write a 10-year farm or 20-year farm program.

Senator ANDREWS. How about permanent farm programs?

Mr. BROKAW. That would be very good because I think another lady and some others have talked about some of this land that has been broken up, we've been forced into breaking up their pastures for raising grain. And land should have never had that plow touched to it. We're going to have a very serious soil conservation problem on our hands in the near future.

I think what you need to do is to get a support price program. And a lot of them say: "Well, we don't want to get back to that." But if it works, don't be afraid to go back to it. That would put some money in the farmer's hands and put some money back in Main Street. Just look at North Dakota loans because, you know, we're in the neighborhood of 300 bushels of wheat. Just $1 more increases that—think of the money that would be available to run this country. Apply that to all the farm commodities, get them back up to where they can cash flow these farms, and pay off these debts, and get Main Street going again. It's these Main Streets that are being just forced right out of business. It's not only the farmer. Pretty soon I don't know where we're going to get parts one of these days if we lose any more implement dealers because it's getting to be a problem already.

And if those things were out there, it would certainly help the farmer. It would help the businessman. It would help—it would create jobs at the factories and put the labor force back to work. The thing would go all the way through. And I don't think even if we would have taken care of the grain commodities and that, Senator, that we would have had the problem in the dairy program that we've got. It got so that was the only thing that would cash flow so we had banks and other lending agencies and stuff telling these farmers to go out and figure a dairy program into their farm. Pretty soon we had everybody milking. A lot of people milking today that don't want to milk. If you bring the support price and bring the price up on grain, you might find a lot of people milking today that don't want to.

And to carry that thing out further, I think if you get the farm thing back on and heal that, then you've got a chance, Senator, to eventually reduce our national deficit, too, because it's going to create a lot of money, a lot of tax money in the economy down there. And then through prudent and proper spending, you can probably get—I don't think you're ever going to do it without putting agriculture back on its feet. I just don't think it can be done.

And talking about exports, we were privileged to have a fellow that was right around his 40's from Japan that stayed with us and spoke English very fluently. This was after the soybean embargo. And so we were talking to him, and I asked him what their situation was and how that affected him. And he said, "There's one thing you have to understand about Japan." And of course, other countries vary. They have a lot of people. "We have a lot of people," he said "We have a 3-day food supply." He said, "we manage exactly what we import. Exactly what we export." And he said, "We needed that soybean and the protein sources." He said, "All of a sudden that was cut off." He said, "With all the people we have, we're going to go some other place to get our protein. We have to have something reliable." I think that's another thing that we have to look at is to make sure that the farm programs if we're going to go out and after these export markets, we have to be a reliable supplier. And I think follow some of those things, maybe we can solve some of these things out here.

But right now the farmer's in a crisis situation. They don't know which way to turn. And those that are making it are probably just one mistake or one drought or something or hail storm away from being in serious trouble. It's a very precarious situation. There are a few that are very substantial and stand on bank conditions. I think if you follow it out, you're going to find the majority of them are in trouble, serious trouble, very serious trouble.

And I thank you for providing me the opportunity to appear before the committee. And I do thank you for coming out here, Mark.

Senator ANDREWS. Thank you, Jim, for a very constructive statement. When we put together and hammer out this new farm act in 1985, would you feel that greater emphasis should be given to the target price level or greater emphasis to the loan price level?

Mr. Brokaw. I think that the great emphasis should go to the loan price and then have some way of releasing that, you know, so it reached a certain price and release that market.

And this would—I'd like to make one other point on that. I think we should have a difference in our accounting system. They figure that farm bill, as you touched it, I think you were talking with one witness, if you make that loan that goes out as a—as a cash rent——

Senator ANDREWS. Cash payment.

Mr. BROKAW. OK. But they never show that when that loan is repaid or when that grain is redeemed. And I think those kind of programs will cost the Government far less than some of our PIK Programs because that really costs a—real cashout. And I think you can accomplish more by putting that into a supply management. As Myron and some of the other witnesses point out, let the people know. Let the farmers know what you want to produce. Let's work together. Let's not work against each other all the time.

If they want meat, we'll raise meat. If they want corn, we'll raise corn.

Senator ANDREWS. With a higher loan level, if you were going to be competitive in the export market, would you provide some type of export subsidy to address that situation if and when it was needed?

Mr. BROKAW. Right. And if the Government wants to use that to balance our trade deficits, don't ask the farmers to sell that at below the market or below the cost of production. It's important that our Government should be involved in that and make it profitable to the farmer to raise that so we can balance our trade.

Senator ANDREWS. Thank you, Jim.

Our next witness and final witness is Willis VanderWal.

STATEMENT OF WILLIS VANDER WAL, POLLOCK, SD

Mr. VANDERWAL. My name is Willis VanderWal. And I'm from Emmons County. And I don't have no written statement or nothing. I didn't know this was that kind of a meeting. I thought we was just going to have a question and answer period.

The first thing, I think farmers are just depending on the Government way too much. They're looking for a helping handout. And what I call it is a welfare check. And I'm not for it at all. I would just as soon see the Government clear out of the program because I think—I'm a free enterprise man. I like to—to have an open market. I think just have a free market. And these guys that can't make it, you know, I got—they have my sympathy. I really do. But I don't feel too sorry for them because they were going to town buying a new pickup, and I was driving around in an old one. I'm making it.

I don't have no qualms with the program at all. I made more money in the last 2 years than I've ever made in my life. I milk cows. I milk 70 to 90 cows the year round. We farm about 400 acres of wheat. We got about 150 stock cows. We're living—we're living on top of the world. And these guys are complaining. But you notice what this one banker said, half of the farmers are doing OK; but the other half ain't. They need a little economic education, that when you make less than what you take in, you're going to go broke. And that's what happening to these farmers. They don't have nobody to blame but themselves.

The Government I think has been fair to us. I don't have—the only bad thing about it was the Carter embargo. That's what really set it off. And we would probably have had some better prices, but better prices ain't going to help us at all. Land is going to go to $400 or $500, $600 an acre in our neigborhood if you put wheat prices up. The same way with cattle.

Yeah, everybody complains. But the reason they're complaining is because they're buying these expensive automobiles and tractors. And you—no way you can do it. Yeah, I know that some people will say, "Well, you got to buy new sometime." Sure, but wait until you have that money to buy that new. But they don't do that. They go to the bank, pay 14 and 15 percent interest. There's no way you can do it.

And there's young farmers out there that bought farms the last year or two, I would have liked to have bought that land. But I figured it out, there's no way I can do it. But he can buy it because he don't have a thing to lose. He goes to FmHA, they give him the money. And if he goes broke in 2 years, the Government sits there with that land. What are they going to do with it? Well, hard telling what they're going to do with it.

Senator ANDREWS. Sell it it you.

Mr. VANDERWAL. Well, I hope they do. But they're going to take about $100 or $150 an acre less. And they've had some of them kind of sales out in our neck of the woods. And they don't—they don't sell it.

But that's all I got to say. I just—I just think——

Senator ANDREWS. I appreciate your statement. Let me ask you one followup question. You said you liked the farm program the way it is.

Mr. VANDERWAL. Yeah, because I wasn't in it.

Senator ANDREWS. But the point is, do you feel it's necessary?

Mr. VANDERWAL. I would just like to see no farm program at all, and I do definitely think that the farm program is not for the little guy. I've always said that. And I've talked to different people, and they'll agree with me. But they don't like it when I say that we should have something different now. This is what I've told different guys, and they don't think it's too bad. If they want to really keep the small farmer on the farm, there's a lot of guys in our—I live west of here. And we don't have a lot of big farmers. Most of them are from two quarters to a section. And—what was I going to say now? I've lost my point of thought here.

Senator ANDREWS. You were talking about you didn't have many large farmers in the community where you live.

Mr. VANDERWAL. Right. I can't think of what I was going to say.

Well, anyway, I just think that, you know, if people would help themselves, we'd have it solved. But you know, if people aren't going to help themselves, why, the Government—you know, you can give a farmer a million dollars. And in 2 years, he could have it all spent and gone and asking for more. That's a fact. So it's just common sense in farming. You know, people want to get rich quick. But it took me—I've been farming 25 years. And I'm just getting on my feet where I can really say, you know, that I'm doing OK. But maybe I've had some breaks. Maybe the Lord's been good to me. And I know he has, I thank him for it. And you know——

Senator ANDREWS. Fair enough.

Mr. VANDERWAL. Right.

Senator ANDREWS. I appreciate your sharing that with us.

Mr. VANDERWAL. Thank you, Senator. I'm glad you have these meetings because there are a few people out there that do think the Government is OK. And I think Ronald Reagan is doing a wonderful job. He stopped our inflation. That was driving us crazy. And prices, we can stay—the only thing is my wife bought butter here 2 weeks ago for $1.59 and now she pays $2. How come? Us milkers aren't getting more money for our milk.

Senator ANDREWS. Somebody must be doing something right.

Mr. VANDERWAL. Somebody's doing something wrong.

Senator **Andrews**. Thank you very much. Are there any other witnesses? If not, the subcommittee will stand in recess subject to the call of the Chair. We appreciate all of your contributions and cooperation for traveling long distances to testify.

My thanks to all of you. The contributions you have made will be a great deal of help to us when we sit down and try to work out a farm program and make the changes and modifications that are necessary for the years yet to come. Thank you.

[Whereupon, at 12:15 p.m., the subcommittee adjourned, subject to call of the Chair.]

APPENDIX

STATEMENT OF HON. ALLEN I. OLSON,
GOVERNOR, STATE OF NORTH DAKOTA

First, please accept my thank you for giving the people of North Dakota an opportunity to present this sub-committee and the members of the full Senate Agriculture Committee with their views, concerns and proposals relating to the farm economy and the search by the Congress for an effective and lasting farm program.

As members of the Senate Agriculture Committee you are well aware of the risks associated with agriculture and how those risks impact on the economic health of farm families and main-street business. Those risks include low commodity prices, high interest rates, depressed land values, the impact of past embargoes on export markets, domestic and world fiscal policies, adverse weather conditions, insects and plant diseases. The farmer, in most cases, has little or no control over any of these risks, yet he continues to maintain what remains as the last American world class industry. He provides the domestic consumer with the world's lowest cost food and devotes 40 percent of his land to production for world export.

In North Dakota the condition of agriculture is the most important thing to us. Our farmers and ranchers have faced the risks of agriculture, especially by making heavy investments to improve the food system. Now they are locked into high variable interest rate financing which has seriously eroded the equity of these indebted operators. The most serious risk contributors to current agricutural conditions are low rates of return, high interest rates and declining land values.

These conditions require the Congress to consider authorizing a federally guaranteed farm debt restructuring program. This requires a bold new approach toward solving farm credit problems.

I have worked with my fellow farm State governors to develop a policy and program addressing agricultural finance and rural development. Through my membership and work on the National Governor's Task Force on agricultural finance and their Agriculture Committee I was able to present to the Nation's governors for adoption at their annual meeting earlier this month a proposal for farm debt restructuring.

The proposed policy was unanimously adopted by the Nation's governors and calls for emergency action from the Federal Government beyond existing programs. The policy calls for a restructuring of the debt burden of efficient farmers and ranchers without expanding that debt and a revision of interest rate formulas under Federal farm loan programs to a level two to four percent above the rate of inflation.

The proposed debt restructuring program wold be an economic emergency program aimed at producers who show a reasonable probability of loan payback. Federal farm credit and private lenders would manage the restructuring program with Federal guarantees to facilitate its implementation.

The governors' thirteen-point proposal for addressing current agricultural finance and rural development issues is attached to my prepared testimony and has been filed with the committee clerk.

As this Committee continues its work I would urge you to give strong consideration to the proposal of the Nation's governors for farm debt restructuring.

Also, as you consider farm program legislation, I urge your consideration of action to strengthen and expand our domestic and world markets through extended credit incentives, Food for Peace, and education and research programs. The strength of U.S. dollar requires expansion of these programs to make our farm products afforadable abroad and profitable at home.

The Congress should also consider greater Federal investment in the protection of our national treasure--the soil. Incentives, rather than disincentives are needed to assure that basic soil conservation practices are continued. The North Dakota State Soil Conservation Committee has submitted detailed testimony on the need for greater emphasis of these practices.

Finally, you are holding these hearings in areas of north central and western North Dakota where grasshopper infestations are severe. Each farmer and rancher recognizes his responsibility to control grasshoppers on his land. The State also recognizes this responsibility on State land and has worked with local county and township governments in the battle against this enemy.

The Federal Government controls by fee and easement more than 6 million acres of national grasslands, refuges and waterfowl production areas in North Dakota. Greater cooperation and coordination from Federal land managers is needed to make private landowner and local and State government grasshopper control activities more effective. This is an area your committee may wish to investigate.

Thank you again for this opportunity to speak out on behalf of agriculture.

NATIONAL GOVERNORS' ASSOCIATION
ADOPTED July 31, 1984

COMMITTEE ON AGRICULTURE

G.-5

AGRICULTURAL FINANCE AND RURAL DEVELOPMENT

A. Agricultural Finance

As in other manufacturing businesses, modern, efficient agriculture requires debt financing. Unlike other businesses, however, current economic conditions for agricuture require 60% equity to make the business cash-flow. Capital intensive technology also makes debt financing necessary. Those farmers and ranchers who have made this investment to improve the United States food system have been locked into high, variable interest rate financing which has seriously eroded the equity of these indebted operators.

The most serious contributors to current agricultural conditions are the low rate of return on assets, high interest rates and declining land values. The financial condition of heavily indebted farmers and ranchers requires emergency action from the Federal Government beyond existing programs.

Because significant numbers of farmers and ranchers are facing the most serious and prolonged period of financial stress in more than forty years, and, because agriculture serves as a source of employment and economic activity which generates one-fifth of the Gross National Product, it is imperative that the private sector and the public sector, at both the Federal and State level, cooperate to develop and implement measures which will provide both short-term relief and long-term promise to persons engaged in production agriculture and related industries.

Federal Role: Agricultural Finance

Federal, fiscal, and monetary policies are principally responsible for current high interest rates and low rates of return in agriculture. The Federal Government already plays a significant role in financing agricultural producers. FmHA, the Small Business Administration (SBA), and the quasi-governmental Farm Credit System (FCS) are important components in agricultural finance.

The Federal role, with the exception of the FCS, has become increasingly reactive in nature. FmHA and SBA become involved under crisis conditions, usually related to an economic crisis, natural disaster or similar emergency. It is necessary to evaluate the current impact of Federal fiscal and monetary policies on agriculture. Deficit spending and tax programs designed to have a beneficial effect on the United States economy are weakening the financial condition of agricultural producers. Federal monetary policies designed to depress inflation rates are exacerbating the debt burden of the average indebted farmer and rancher. The broad options for Federal Food Policy are either:

1. A dramatic change in the National fiscal Policy in which all sectors of the United States economy must make economic sacrifices. The goal of this change would be to:

    a. eliminate the Federal budget deficit.

    b. restore low-interest, long-term, fixed rate financing to all sectors, including agriculture.

2. Continue today's fiscal policies or slightly alter them to only partially reduce the Federal deficit. If this is to be the national policy, it becomes incumbent on the Federal Government to provide within those spending limits the funds necessary to restructure the debt burden of efficient farmers and ranchers. Such a Federal effort would allow for restructuring current agricultural debt without expanding that debt. The program would target efficient, productive operators according to guidelines established by the United States Department of Agriculture.

The farm credit situation has had such a monumental impact on the economy of rural communities, farm States and the Nation, that several States have initiated legal action to speed up the process of application for and disbursement of some of the federally appropriated funds. These are serious times which require the prompt attention of law makers and Federal officials.

The relationship between the Federal Government and the States should be one of cooperation and mutual concern. The administrations of several States have provided the following suggestions to promote the spirit of cooperation between the Federal Government and the States and deliver the needed restructuring of the burdensome agricultural credit:

1. Transfer of funds within the Department of Agriculture from programs with excess funds to those programs demonstrating the greatest demand. The Department of Agriculture should transfer unused balances in the FmHA budget from programs with an excess of funds to those programs with the greatest demand.

    The transfer of the funds would occur as the need would arise. Need would become apparent through the application process and the general condition of the agricultural economy. An application of this concept might be the transfer of unused FmHA money from the rural Housing Insurance

Fund to the Emergency Loan Program. This could be accomplished under the discretionary authority of the Secretary of Agricuture.

2. Revision of the interest rate formula. The interest rate formula used by the United States Department of Agriculture should be revised to better reflect the needs of the agricultural community. The interest rate on farm loans should be in a range of two to four percent above the rate of inflation. Present interest rates are unrealisticaly high and must be brought down.

3. Debt restructuring in emergencies. The President or the Secretary of Agriculture would declare, and thereby activate, an economic emergency program for restructuring the debt of those producers who provide a reasonable probability of loan payback and who would otherwise be forced to liquidate their assets in total or declare bankruptcy.

   a. The Federal Government would carry out this program through the Small Business Adminitration. The goal of the program would be to provide an interest rate of 2-5 percent above the rate of inflation, fixed for a period commensurate with the life of the securing asset. This program, at today's rate of inflation, would achieve a blended interest rate of 8 percent.

   b. Banks participating in this Direct Loan Program would realize a dramatic improvement in their balance sheet and would therefore agree to restructure a significant portion of the remaining non-real estate debt at a rate equal to their average cost of money. This refinancing would achieve the same interest rate as described in 3a above.

4. The Federal Government as guarantor. The Federal Government could be a guarantor to facilitate the implementation of a voluntary debt restructuring program.

   Debt restructuring plans would require the cooperation of several parties. Those parties would be: the Federal Government as a guarantor, the State governments as technical advisors, the lenders, and the farm debtor. The plans would consist of an extension of the terms of the loan in exchange for a discount on the repayment on the principal. The same collateral would support the new loan arrangement. The additional interest collected would more than offset the discount of the principal and the borrower would have lower installment payments.

5. Tax credits as an alternative to a guarantee. An alternative to the Federal Government acting as a guarantor is a tax credit for lenders. The tax credit could be used to augment the discounted loan, under the restructuring plan.

6. Loan policy and procedures of the United States Department of Agriculture and the Small Business Administration. The loan processing time is too long to effectively assist farmers in the preparation of the next planting season. This problem could be alleviated by the use of part-time help during the rush seasons. The application itself could be simplified to speed up the process. The extension of program deadlines could also be a method of allowing for greater participation in farm programs, and reducing log jams in the processing of applications.

7. Use of tax-exempt bonds. The Federal Government should amend legislation whch severely restricts the applicability of tax-exempt industrial bonds in agricultural lending and should continue to permit their use in financing soil and water conservation projects for qualified users.

   It is a recognized fact that in today's complex agricultural economy the high cost of capital is a barrier both to the entry into agriculture by non-established farmers or ranchers and to the continuation of expansion of existing farm or ranch operations by low net worth farmers and ranchers. Similarly, the high cost of capital can have a negative impact on the construction of soil and water conservation practices and the purchase of conservation farm equipment.

   In response to those problems caused by high capital costs, several States have created beginning farm or rancher and/or soil conservation loan programs utilizing federally tax-exempt industrial development revenue bonds. Pursuant to these programs, the effective capital costs are being significantly reduced for program users for projects which the States have determined to be qualified targets for capital assistance. As a result, greater opportunities for more efficient and successful farming or ranching operations are provided. Additionally, the financial incentives for establishing soil conservation measures are enhanced.

   It is vital for the Federal Government to continue to permit the use of tax-exempt industrial development revenue bonds in these State programs to reduce high capital cost barriers and thereby allowing States to target capital assistance to qualified users and projects within their agricultural economies.

8. Financial management assistance. The FmHA must aid farmers in managing debt with up-to-date financial tools such as records management, cash flow analysis and enterprise analysis.

9. FmHA's policy on long-term loan collections. The farmer should be allowed to apply the proceeds of the sale of property to retire high cost, short-term debt if there exists

a well-secured loan on the remainder of his real property assets.

10. Role of the Governors. Governors can help by supporting the Approved Lender Program. They can:

    a. Encourage FmHA State directors to become familiar with the program and to promote its success and implementations.

    b. Encourage out-state meetings with county supervisors and lenders to inform, educate and encourage participation.

    c. Inform the public that this will not take away from existing programs but that it can supplement them for those lenders who want to pursue approved lender status.

    d. Demonstrate support on a national level by advocating for increased funding authorities for guarantee loss.

11. States can help develop a long-term Federal Agricultural Policy to establish predictable and stable conditions.

12. Assure that embargoes will not be placed on agricultural products.

13. Pursue an aggressive International Export Program.

State Role: Agricultural Finance

States have been playing a more significant role in recent years in the development of nonmetropolitan areas, particularly with regard to agricultural finance. States should:

1. continue to strengthen efforts to finance young farmers and ranchers and provide producers a variety of financial services.

2. develop adequate bankruptcy procedures to assure that producers have every opportunity to participate in the agricultural economy.

3. counsel farmers in financial management techniques.

4. promote lender/debtor cooperation in debt restructuring programs.

5. provide staff and technical assistance to implement education and debtor/lender plan.

B Rural Development

Rural development, like agricultural finance, is an integral part of a sound rural economy. Rural development became a high national priority with the passage to the Rural Development Act of 1972 and remains as an area of high intergovernmental concern in that nonmetropolitan areas began to gain population faster than metropolitan areas in the 1970s.

Federal Role: Rural Development

The Federal Government assumed significant responsibilities for rural America with the enactment of the Rural Development Act of 1972 and with the creation of the position of Undersecretary for Rural Development and Small Communities at the USDA. These include:

1. a responsibility to work with States and localities to develop and maintain adequate infrastructure (roads, water lines, sewer systems, etc.).

2. technical assistance and information as may be needed by States and localities for rural development planning and needs assessment.

3. a responsibility to stimilate job creation through rural enterprise zones, regulatory relief, and similar activities.

4. the need to maintain adequate financial resources for rural businesses.

State Role: Rural Development

1. Develop adequate financing mechanisms so that small communities can grow in an orderly manner.

STATEMENT BY NORTH DAKOTA WHEAT COMMISSION
PRESENTED BY CECIL WATSON

At hearings held by Senator Andrews at Minot on August 21, 1984 the NDWC supported increased funding for export credit programs which will help maintain and improve the United States competitive position in world markets. The commission also requested that responsible agencies to the best of their abilities, be required to allocate funds appropriated by Congress for these programs.

USDA in the past has tried to allocate all funds available for credit programs such as GSM-102 in the most efficient manner. Unexpended funds, usually a small amount, have been left over when importing nations with funds allocated to them did not purchase the expected amount of grain. Occasionally in those situations by the time USDA realized that one country would not use its full allotment of credit it was too late to switch that allotment to another country which could use additional credit.

The overwhelming acceptance of credit programs by importing nations is illustrated by the volume of requests for GSM-102 estimated at $5-6 billion last year. Although the allocation of credit has been satisfactory, delays in alloting credit have cost the U.S., sales of wheat. Brazil is a dramatic example. Beginning in October 1983, Brazil was awaiting clearance of GSM-102 credit which eventually was finalized in January. In the interim, Brazil purchased about 800,000 metric tons from Argentina.

Recently, in discussions between officials of USWA and the Brazilian Wheat Board, the Brazilians were asked what effect the delayed credit had on their buying decisions, i.e. would they have bought grain from the Argentines? They indicated that a nominal amount, estimated at 50,000 metric tons would have been bought, but certainly not the large amount they did buy. That delay in credit cost the U.S. 700,000 metric tons of hard red winter wheat sales to Brazil.

In conclusion, the commission continues to support increased funding for export credit programs and the timely allocation of funds to appropriate customers.

STATEMENT OF LELAND H. JOHNSON, CHAIRMAN NORTH DAKOTA STATE SOIL CONSERVATION COMMITTEE

Senator Andrews and Members of the Senate Agriculture Committee:

The North Dakota State Soil Conservation Comittee appreciates the opportunity to submit a statement regarding the upcoming 1985 Federal Farm Bill. We are fully aware of the impact Federal farm legislation has on farmers and ranchers in our State; therefore, we welcome this occasion to express our ideas and concerns regarding the soil conservation provisions of a Federal farm program.

We believe the soil conservation provision of any Federal farm legislation needs to set the policy and direction in this Nation regarding how farmers and ranchers care for that all important resource--THE LAND. The productive capacity of our land remains the foundation of our economy and the conservation of this important resource is essential to maintain the strength of our State and Nation.

Often times we refer to our State, North Dakota, as being, more or less, 350 miles long and 230 miles wide. Without giving it much thought, we fail to think about the third dimension that makes up our State--on the average North Dakota's topsoil is only six inches deep. It is that upper six inches of tosoil we are so highly dependent upon that permits a productive agricultural industry to exist.

As you are aware, it is the policy of the State of North Dakota to provide for the conservation of our soil and soil resources and for the control and prevention of soil erosion. In carrying out this responsibility, we are pleased to offer the following suggestions as you represent our State to help shape the 1985 Federal Farm Bill:

1. Federal farm programs need a greater degree of permanence, such as a minimum of five years. Farmers and ranchers need to have assurance that a program will be in place that allows proper future planning and decision-making by them as farm producers.

2. The 1985 Federal Farm Program needs to reduce emphasis on production controls and place greater emphasis on marketing and sales expansion. Production control programs have done little to reduce production. Rather, they have provided financial incentives to bring steep and highly erosive (marginal) land into crop production. This marginal land, generally not suited for cropping, is used to meet a producers Set Aside requirements. A producer could then keep more, or all, of his good land producing. Marginal land is the most difficult to protect against erosion when summerfallowed and, therefore, often times experiences the greatest erosion (productivity), loss. Continued incentives from Federal farm programs encourages the expansion of this practice and leads to faster deterioration of the land's productivity. Ultimately, this has lead us to a practice referred to as Sod Busting.

   The Federal Government, by offering program benefits or "financial incentives" lend a powerful force to encourage marginal land to be cropped. This has also been great disincentive for producers wanting to protect their soil resources with appropriate uses and soil conserving practices.

3. Soil conservation provisions of a Federal farm program need to provide incentives to producers that wish to plan and implement a soil and water management program on their unit. Appropriate technical assistance, education, cost-share and research need a higher national priority.

4. The 1985 Federal Farm Program should place greater emphasis on maintaining and improving the productive capacity of our land. This can best be accomplished by keeping the good land in crop production and the marginal land out of crop production.

Any Set Aside provision should require adequate protection beginning early in the growing season as an added assurance against soil erosion.

5. The 1985 Federal Farm Program needs to insure that producers who utilize soil building practices in their crop rotation, such as grasses or legumes, are not penalized by a reduction in their cropland base history.

We believe these points just stated will enhance governments ability to assist farmers and ranchers with improved resource management and improved resource protection. It can possibly best be summarized by the statement that suggests we use every acre according to its capability and treat each acre according to its needs.

We need to gear our assistance to protecting our resource rather than correcting resource managment mistakes.

Senator Andrews, thank you for the opportunity to enter this statement into the Senate Agriculture Committee record.

STATEMENT OF STEVEN D. STREGE, EXECUTIVE VICE PRESIDENT NORTH DAKOTA GRAIN DEALERS ASSOCIATION

The North Dakota Grain Dealers Association is a nonprofit, voluntary membership organization in which over 90% of the licensed and bonded public warehouses of North Dakota hold membership. This organization has traditionally stayed out of farm policy and farm bill debates; choosing instead to serve its farmer-customers in whatever way was needed. We will thus not speak to specific items such as the level of target prices, but instead make broad recommendations.

It is the opinion of many in our industry that farmers, country elevators, and grain exporters are still suffering from the disastrous Soviet grain embargo of 1980. We need no more of such manipulation of the farm economy for the benefit of political gains. The contract sanctity legislation signed about 18 months ago by President Reagan is a step in the right direction. In short, let's keep the State Department out of the agricultural export business as much as possible. Policymakers must give due consideration to the ill effects of anything less than free trade on the agricultural economy and thus rippling through the whole U.S. economy.

Country elevators would benefit from a higher level of consistency in farm programs. We cannot use our resources efficiently when export policies radically change from year to year. Millions of dollars have been spent by farmer cooperatives and private firms to upgrade for higher volume facilities. These plants are built for and must maintain rapid turnover in order to pay for themselves. These facilities are white elephants when faced with policies that encourage storing grain rather than selling it, or policies which hinder free markets.

Our elevators work closely with the Commodity Credit Corporation in receiving, handling, storing, and shipping farmers' grain under ASCS programs. In light of new merchandising techniques being used, it may be time to rethink some of the rules under which Uniform Grain Storage Agreement warehouses operate.

Perhaps this does not relate directly to the 1985 farm bill, but the issue of title clearance on mortgaged farm products is one that affects both farmers and elevators. Farmers should be given respect for their ability to manage their own affairs. Elevators should not be forced to pry into farmers' financial affairs. Lending agencies, including CCC and FmHA, should be held responsible for policing their own loan portfolios. Losses to elevators because of this matter could close their doors, leaving area farmers with one less option for deliery of their own grain or grain under ASCS programs. This Association supports removal of the farm buyer exception through legislation introduced by Senator Huddleston of Kentucky.

STATEMENT OF KENT JONES, NORTH DAKOTA COMMISSIONER OF AGRICULTURE

North Dakota farmers and ranchers continue to suffer the effects of a stagnating agricultural economy. The state has experienced a dramatic decline in farm numbers during recent years. The impact ripples through the Main Streets of a state where over thirty percent of the workforce is employed in agriculture or an agriculturally-related field. However, the state's agricultural economy may not yet have bottomed out at this time.

State government has responded to these problems through implementation of a Farm Credit Counseling Program. Trained counselors assist farmers in applying for loans, negotiating with lenders, gathering and analyzing farm records, and determining various options that may still be available to the individual producer. The program seems to be cost-effective, but is a treatment of the symptoms of the problem--rather than a solution to the problem.

The problems of agriculture have built over a period of time, and the frustrating aspect of ths is that many of the root causes seem to be beyond the control of individual farmers and ranchers.

There are two key issues which need to be addressed: the farm credit crisis and the 1985 Farm Bill. The Farmers Home Administration seems to be the key to solving many of the problems related to farmers' credit difficulties. That agency needs the funding, flexibility, and staffing to provide the credit for which it was designed.

The 1985 Farm Bill is being promoted as a piece of watershed legislation. Various proposals in relationship to price are being proposed. Some advocate raising the price to the farmer through the support program to a certain percentage of parity. Others advocate reducing the price to the farmer, so that foreign customers are better able to afford purchasing the commodities--thus stimulaitng demand and ultimately resulting in improved prices.

The approach taken by the 1985 Farm Bill should be somewhere in between these two. The problem with past government price supports have been that they have provided unlimited support to individual producers.

Government loan programs provide the best market for many of our commodities today. Target prices need to be maintained at present levels, but loan rates must spur increased sales of our farm products abroad.

The strong dollar, high interest rates, and declining farm exports are closely intertwined with huge Federal deficits. Farmers are beginning to realize that they may have more at stake in getting Federal deficits under control than they do in the 1985 Farm Bill. Farmers know that they must get a strong message through to Congress that deficits must be brought under control. With that in mind, I would urge you to work toward implementing a one-year across the board freeze on all Federal spending.

NORTH DAKOTA FARMERS UNION, 1984 PROGRAM OF POLICY AND ACTION, FAMILY FARM CREDIT POLICY

A. The FmHA, since its authorization in 1946, when it replaced the Farm Security Administration, has been given increasing responsibilities in a wide range of activities for serving rural America. Today, the farmer loan programs of FmHA have become a minor percentage of its total annual loan portfolio. The myriad of responsibilities of FmHA has made it impossible for the agency to give adequate priority to farm ownership and operation loans. The General Accounting Office has documented the inadequacies of FmHA's responsibilities in farm loan supervision. At the same time, Congressional hearings have demonstrated that USDA has been unable to carry out a coordinated rural development program.

We call for the reorganization of FmHA. Its responsibilities in rural development, such as housing, community facilities, business, industrial, etc. should be consolidated with other similar agencies into a Rural Development Administration. Its farm loan programs should be brought together, with additional authorities, under a Family Farm Recapitalization Administration.

The Family Farm Recapitalization Administration must:

(1) Be restricted to the assistance of family-sized farm units, as the lender of last resort.

(2) Provide supervised loan programs for the recapitalization of family farms.

(3) Have authority to provide long-term real estate loans, with adjusted interest rates and flexible repayment schedules in accordance with the producer's annual net farm income and crop production to assist undercapitaled and beginning farmers.

(4) Have authority for production (operating) loans at adjusted interest rates and flexible repayment scheudles.

(5) Be authorized to develop innovative programs of finance and assistance for land transfer between generations and the establishment of new farm units, including programs such as the Saskatchewan Land Bank.

(6) Work closely with state programs designed for beginning and under capitalized family farmers, and be able to supplement and guarantee such state programs.

(7) Become the primary agency within USDA for researching and developing programs and policies towards the goal of providing security for the family-farm system of agriculture.

B. Due to high interest rates, increased production costs and reduced farm income prospects, we urge the implementation of the 1978 law for an immediate moratorium on foreclosures upon family sized farm units by FmHA and agricultural lenders, when such foreclosures occur due to circumstances beyond the control of the borrower. Delayed interest costs should be amortized over the remaining length of the loan, and the borrower should receive adequate operating loans during the moratorium.

C. We support a full Congressional investigation of the Farmers Home Administration to determine what changes are necessary in law and regulation to insure that the intent of Congress is being carried out by FmHA. We especially urge that the criteria eligibility for limited resource loans be thoroughly reviewed. The basic criteria should be that those producers who cannot demonstrate repayability at regular FmHA interest rates would be automatically eligible for FmHA limited resource rates. The failure of FmHA in North Dakota to use its allocation of limited resource operating loans should be carefully investigated.

NORTH DAKOTA FARMERS UNION
AGRICULTURAL PROGRAMS FOR THE FAMILY FARM

The keystone of a free progressive democratic national society, as well as a strong rural America, is the owner-operated family farm.

The "family farm" is an economically adequate agricultural production unit that produces, after a fair return on investment, a family income comparable to the average income of families in other segments of the society. That family farm is a unit using land and other capital investment operated by one farm operator and his family who provide the management, take the economic risk, and do most of the work required to operate the unit.

The basic issue facing this nation is the control of agriculture. National farm policy must provide direction and emphasis to insure that control of agriculture is vested withn the family farm. The decline in the number of farms must be reversed. Programs which encourage intensified farming and discourage extensive farming are a key to reversing this trend.

If the producer is to receive a fair return and the consumer is to be assured of an adequate supply of food and fiber at a fair price, new methods of pricing agricultural commodities must be devised.

1. NATIONAL FOOD AND FIBER POLICY

Recent farm programs have demonstrated that Congress must provide greater stability and year-to-year consistency in supply-management and price-support systems. The 1985 farm bill will be critical to the future of family-farm agriculture.

It must be the beginning point for implementing the conclusions that were developed in the Structure of Agriculture studies in order to insure that the primary beneficiaries of agricultural and food policy are family-sized farmers.

A. Goals of 1985 Food and Agriculture Bill

We recommend that Congress work toward the following goals in the adoption of the 1985 farm bill:

(1) The legislation should be permanent law, rather than another four-year farm bill.

(2) The wide discretionary authorities provided to the Secretary of Agriculture under previous farm laws should be limited. Congress should establish the base programs for commodities and the discretionary authority of the Secretary should only be within the necessary ranges to allow the Secretary to effectively adjust the supply-management provisions to meet domestic and international demands.

(3) Minimum price support protection must be established at cost-of-production levels.

(4) Reserve programs must insure an adequate supply to meet domestic needs and export commitments.

(5) The role of the Commodity Credit Corporation should be expanded to include negotiation of long-term agreements with importing nations.

(6) Incentive payments(deficiency payments) must assure a parity of income to farm families.

(7) Effective limitations should be established in all price-suport programs, incentive (deficiency) payments and diversion payments.

(8) Cross compliance must be required for producers to be eligible for benefits of any single commodity program.

(9) We should move toward mandatory commodity programs giving producers a voice in the implementation of any commodity program through referendums. if approved by producers, the requirements of the supply-management program would apply to all producers of that commodity. If rejected by producers, there would be no program for that commodity.

B. Expanded Role for Commodity Credit Corporation

The Commodity Credit Corporation should become a national food and fiber board to include equal representation of producers, processors, and consumers.

This national agency should be provided with the authority to become the exclusive contracting agency for the sales and pricing of all agricultural commodities that are imported or exported, giving preference to farmer cooperatives in filling export contracts.

It should exercise the authority the Commodity Credit Corporation already has in developing barter agreements, especially with less-developed nations.

It should further serve as the primary agency for negotiating long-term agreements and contracts with importing nations.

C. Parity of Income

When the concept of parity was first introduced in agricultural law in 1936, the goal of national farm policy was to provide farm families a net income that was on par with the net income of non-farm families to insure that producers had the same purchasing power as their urban neighbors. The 1910-14 base was selected as the appropriate economic period to achieve the goal of income parity.

Parity pricing for each farm commodity was determined to give an accurate figure as to the price level necessary to achieve a parity of income for agriculture. Parity prices are the means to the objective of a parity of income. They are not the objective in themselves.

The failure of farm programs to provide a parity of income for family farmers is a violation of the social contract between family farmers and consumers in which farmers are responsible for production of a dependable supply of food and fiber in return for a parity of income with the rest of our society.

The failure to maintain this social contract through our national food and agricultural policy has forced thousands of farmers out of agriculture. This failure has been compounded by agricultural programs which have been tilted toward the large producer based on the commodity by commodity approach, rather than on the parity of income principle. This has permitted unconscionable high Federal payments to a minority of producers and inadequate support levels for the vast majority of family farmers.

To return to the principle of parity of income, Federal farm policies must provide agricultural incentive payments to family farmers to make up the difference between commodity prices in the marketplace and full parity for all agricultural commodities. These payments should be made to all farmers based on their units of production to raise the return on their labor and management to the national median family income. Such payments must be strictly limited to maximum payment level that would provide full-time family farm operators a parity of net income.

The incentive payment shall be so designed to encourage diversified production units to the size of economic efficiency for the combination of commodities produced together with appropriate soil and water stewardship.

STATEMENT OF PHILLIP MUELLER, ROGERS, NORTH DAKOTA

My name is Phil Mueller. I wish to thank Senator Andrews for the opportunity to appear before this subcommittee and for holding these hearings in North Dakota.

I operate a 960 acre family farm, producing wheat, barley, sunflowers, and hay. I have been in the farming business for the past five years. As a Farmers Union member, I have served on the board of directors of the Tri-County Farmers Union Local and the Barnes County Farmers Union, serving as the county organization's secretary-treasurer for two years. For the past two years I had the opportunity to serve on the state organization's policy and action drafting committee and represented the state at the 1984 National Farmers Union convention.

As a relatively new farmer, I am especially concerned with the policies of the Farmers Home Administration. I have received my operating loan through an FmHA subordination.

From the outset, I would like you to know that my experience with FmHA personnel has basically been good. My frustrations with FmHA have not been because of the people I have worked with, but rather with the policies that they have to administer.

For example: FmHA is now beginning to use the "Coordinated Financial Statement" to replace the farm plan. While the coordinated Financial Statement can provide additional information for both FmHA and to us as borrowers, I believe the form is too long and unnecessarily complicated.

I can understand that the farm plan forms perhaps need to be revised and updated because of the many changes that have occurred in recent years in agriculture. Yet, I am convinced that county FmHA officials and borrowers could have developed a new farm plan form that would have yielded just as good and as much information, but been a lot easier for both FmHA and farmers.

Frankly, more paperwork or better forms are not going to solve the problems facing FmHA borrowers. Whether you use the FmHA farm plan or the new Coordinated Financial Statement, the bottom line is that red ink is red ink, regardless of the form you use. We just don't have the farm income to pay production expenses, repay loans, and have enough left over to make a living.

The last thing our county FmHA offices need is more paperwork. I believe you can blame a lot of the problems that FmHA has been having to the fact that FmHA doesn't have enough personnel to serve its farm borrowers. They are already overwhelmed by the paperwork and the number of borrowers they have to handle. If they weren't as committed they could easily move to the private farm credit industry, get a better paycheck and have to deal with fewer borrowers.

Not only does FmHA have more farm borrowers per staff than other farm credit outlets, but also they have more programs than just farm credit. They have housing, business and industry, community facility and other loans to contend with.

A couple of years ago our organization suggested that the Farmers Home Administration's responsibilities be split. It's rural development activities should be joined with similar programs of other USDA agencies, and its farm credit responsibilities should be restructured into a "family farm recapitalization administration." I think its time to give FmHA staffing that it needs to do its job in farm credit, and the best way to do that is to give its rural development responsibilities to either some other agency or to a new agency.

Another problem that FmHA has had in recent years is that what we think has been done by Congress somehow doesn't get down to our county FmHA office. For example: FmHA was supposed to allocate twenty percent of its operating and real estate loans to what are called "limited resource borrowers" at lower interest rates. For the past two years, North Dakota did not meet the minimum limited resource goal of twenty percent of the operating loans. I understand that this year FmHA in North Dakota is meeting that goal, but why does it take so long to get a program going at the county level.

Then, there is the example of the $600 million appropriation by Congress for the Economic Emergency loan program. It finally took a Federal court order to get that money released. Even then, only a small part of it went to direct loans and the rest was arbitrarily allocated to guaranteed loans. If FmHA is really going to serve the needs of smaller and family farm borrowers, the direct loan is the one that is going to help those farmers the most. Guaranteed loans are at higher interest rates and they tend to help out the banker more than it helps the fmaily-sized farmer.

As I mentioned at the outset, I have an FmHA subordinated loan. The real effect of being in that position is that I pay higher interest rates. Last year I paid twenty-three percent of my farm income to interest expenses. That is too much for any farm or business to be paying. I understand why FmHA wants to subordinate loans, rather than to give direct loans, because it is supposed to extend their ability to serve farm borrowers. Yet at the same time it puts us at the mercy of the going interest rates and makes it more difficult to keep our farm operations going.

Rather than subordinating loans and guaranteeing loans, I think FmHA would do a lot better if they had more funds for direct loans to family-sized farmers, and if they would eliminate the loans that are going to larger-than-family-sized farm units. That would make more funds available and provide a better interest rate break for family farmers.

We not only need lower interest rates for FmHA borrowers, but we have to do something about interest rates in general. As farmers, we cannot afford to compete with the U.S. government for borrowed capital. The only way this nation is going to reduce its deficits is if there are additional revenues coming in to the government. I hope that as a part of this effort, Congress will also restructure our tax laws to eliminate the advantages that are now going to the larger farms and to the off-farm investors.

As a family-sized farm operator, and perhaps because of it, I am very interested in soil conservation and give a lot of time and effort in trying to do a better job at taking care of the land. I think there are some really good things that are beginning to happen in soil conservation efforts. One of those good things is the targeting approach to give more time and funds to those areas with the most immediate soil erosion problems. However, if targeting is going to be successful, then it must be in addition to our present programs. We must also continue funding the basic Soil Conservation Service activities. Over the long run we cannot afford to let these basic programs be understaffed or underfunded. Otherwise, areas such as Barnes County will some day become the targeted areas.

We need farm programs that provide long-term stability and price-protection for the family farmer. Such a program will also be the best program for soil conservation. Because of the economic conditions, soil conservation is becoming secondary to trying to get all that the land will give each season. In this sense, I hope the "sodbuster bill" becomes a regular part of the farm program.

Farming seems to be a good-news, bad-news occupation. The bad news is that (according to a recent farm publication) real prices to farmers are down by 21 percent, real interest rates are up as much as 1200 percent, real farm income is the lowest it has been since 1933, and the debt load of farmers and ranchers has reached $215 billion.

The good news is that in my area we have harvested 50 bushels of wheat and 75 bushels of barley per acre. We really need this kind of good harvest, but we also need good prices to go with it. Unfortunately, the good news is not outbalancing the bad news. Our only hope is that the 1985 farm bill will bring good news to family farmers.

Thank you again for letting me testify.

NATIONAL FARM PROGRAM POSITIONS ADOPTED BY THE NATIONAL ASSOCIATION OF WHEAT GROWERS BOARD OF DIRECTORS

1. PREAMBLE

Domestic farm programs should be developed that at least partially counterbalance the effects of imprudent monetary and fiscal policies. These policies have created devastatingly high interest rates, which have led to increased cost burdens for farmers and a strengthened dollar which has eroded the competitive position in world markets for U.S. agricultural products.

Current economic and trade policies must be re-directed so as not to harm interest sensitive and export dependent industries.

The counterproductive effects of protectionist policies on both national and international economic activity and potentially on the agricutural sector, must be recognized. The U.S. must adhere to an agressive, consistant and open trade policy to the benefit of the overall economy.

2. INCOME PROTECTION

Continuation of the Target Price Concept.

3. MARKET-ORIENTED PRICE SUPPORT

Basing the loan settlement or payment level on state average prices, as opposed to the original loan proceeds, would allow stocks to clear under over-supply conditions while avoiding the accumulation of large loan forfeitures in the Commodity Credit Corporation.

The difference between the original loan and the lower payback rate (settlement price) would not be subject to the $50,000 payment limitation. This mechanism would allow U.S. wheat to be competitive in world markets, and the subsidy (the reduced loan payment) would accrue to the farmer and would not be absorbed in the marketing chain.

4. SUPPLY-DEMAND CORRIDOR

Congress has repeatedly granted the Secretary of Agriculture discretionary authority to implement acreage adjustment programs, but too often the decision to announce a set-aside program has been made too late for farmers to effectively respond, or it has not been made at all. This defect in present law could be removed by the establishment of a supply-demand corridor and a triggering mechanism to institute a minimum crop adjustment program. The Secretary of Agriculture could then use his descretionary authority to broaden the progam with additional set-aside requirements or paid diversion options.

As long as U.S. wheat supplies remained within an established corridor, acreage adjustment programs would not be required. However, in the event stocks surpassed the corridor ceiling, a minimum acreage cutback program would be required.

This triggering mechanism would provide a measure of supply and price predictability for farmers, government decision-makers, agribusiness and the general public. Also, it would remove the basic decision to adjust crop acres from political influences.

5. FARMER-OWNED GRAIN RESERVE

The farmer-owned grain reserve has proven to be an effective program for isolating the excess stocks from the market to bolster prices and maintain reserves against unexpected low production or high foreign demand. The usefulness of the reserve, however, is eroded when it becomes the "market" and stock accumulations rise to excessive levels.

The farmer-owned reserve should be an integral part of future farm policy, and it should be managed in a manner that enables it to complement other farm programs and meet public poliy goals. A reserve cap and new procedures for reserve entry and release should be established.

6. CONSERVATION RESERVE

The United States has demonstrated its ability to rapidly expand production to respond to increased demand, but macroeconomic and competitive trade conditions have left an excessive amount of wheat acreage in production, perhaps as much as one-third of the national acreage base. A conservation reserve program could provide farmers useful incentives to retire acreage for a period of years until market conditions signal a need for increased output.

An important part of such a program should be a guarantee that the farmer would not lose crop production history on this acreage for purposes of future farm programs.

7. EXPORT INITIATIVES

The U.S. wheat situation will not correct itself, nor will it be corrected solely by domestic adjustment programs. New export initiatives must be undertaken, and they must be implemented with the aim of regaining the U.S. share of the world wheat market.

Commercial and concessional credit programs now in place should be continued. These include GSM-102 credit guarantees, GSM-5 blended credits, and P.L. 480 concessional sales and donations.

In addition, the GSM-301 program providing intermediate credits should be broadened and fully implemented to expand the range of U.S. credit offerings.

Further, the U.S. government should aggressively use wheat stocks owned by the Commodity Corporation to blend-down the sales price of wheat to specific markets where the United States faces stiff competition from other suppliers. This program of using our surplus to promote export sales would be effective in the short-term by reducing excess stocks, and it would be effective in the long run by making an investment in markets that once again can become good cash customers as economic recovery occurs.

8. NORMAL CROP ACREAGE

The normal crop acreage (NCA) system, or the same program under a different name, should be reinstituted to control slippage in commodity bases and thereby reenforce the internal structure of farm programs.

Using an NCA, as opposed to commodity-specific bases or a total farm base comprised of individual commodity bases, has proven to be an accepted means of halting inflation in acreage bases, and it can operate to make farm programs more credible to the public. Once reinstituted, farmers would have an acreage base which conforms to the amount of land that normally was cropped in their operations.

9. NATIONAL WHEAT CHECK-OFF

The NAWG staff is directed to study the feasibility of establishing wheat check-offs in non-NAWG states.

10. INTER-COMMODITY CORPORATION

NAWG publicly pledges cooperation with other farm and commodity groups in a united effort on the 1985 farm bill and future legislative efforts affecting farmers.

STATEMENT OF NORTH DAKOTA WHEAT COMMISSION, BISMARCK, NORTH DAKOTA

During the 1970's U.S. agriculture made substantial and consistent gains in exports to a point where 6 of every 10 bushels of wheat produced in the U.S. was exported. This relationship continues and underscores the need for a farm program which recognizes the importance of exports to the U.S. farm economy and the role they play in the general economy.

In recent years the United Staes wheat industry has experienced substantial reductions in export volume from 1,771 million bushels of wheat in 1981-82 to 1,425 million bushels in 1983-84. USDA supply and demand estimates for 1984-85 indicate U.S. wheat exports will be approximately 1,400 billion bushels, down 2% from a year earlier. Many factors such as the strong value of the dollar against other currencies, continuing economic difficulties of other nations, and our own embargoes have limited importing nations' willingness and ability to import our ag products. The result has been reduced farm income, increasing farm program costs to support farm income, and the harnessing of our most efficient industry with associated diminished benefits to the rest of our economy.

The North Dakota Wheat Commission supports continued and increased funding of those export credit assistance programs in the form of P.L. 480, direct credits, and export loan guarantees in 1985 farm legislation. These programs were effective in 1984 in encouraging importing nations to purchase additional quantities of U.S. grains with limited impact on the federal budget. Furthermore, when funds are appropriated to credit programs the responsible agencies should be required under normal circumstances to utilize those funds for export enhancement.

The importance of export financing has become crucial in selling U.S. agricultural commodities overseas due to the worsening financial situation in many countries, the strong dollar and intense competition. Most major wheat exporters provide some form of short-term credit to enhance their competitive position in foreign markets. Suppliers, both in the private and government sectors, compete not only on the basis of price, quality and transportation, but also on the ability to finance sales on attractive terms. Although price and quality continues to be an important factor in determining sales, credit availability and terms, especially to markets in developing countries frequently is the deciding factor in consummating the sale. The availability of export financing is of particular importance to the U.S. wheat industry today, and will continue into the future.

Export credit program guarantees cost very little since most loans are paid back. USDA statistics indicate that every dollar provided for export credit generates an additioal 35 cents in new export business. Blended credit, using GSM-102 and GSM-5 in a leveraged 4:1 ration, was extremely popular and successful in 1983 with available funds exhausted in a short time and encouraging Yemen among others to purchase U.S. wheat for the first time in recent years and Iraq to dramatically increase exports to over 1 million metric tons.

Since 1954 Public Law 480 has been an effective export enhancement tool with numberous recipient nations such as Japan and Korea becoming regular cash purchasers of U.S. grains. Continued expansion of this program will aid in developing new markets and trading relationships with the developing nations of the world.

The United States must demonstrate to the rest of the world its willingness to compete for world markets. This can be done in large measure by a 1985 farm bill which includes a strong statement on U.S. export policy. The North Dakota Wheat Commission urges your continued strong support for such provisions. We stand ready to actively support our position in tesifying when desired and deemed necessary.

STATEMENT OF LOU TOWATER, AMERICAN SUGARBEET GROWERS ASSOCIATION

Mr. Secretary, my name is Lou Towater, and I appear before you today on behalf of the American Sugarbeet Growers Association. Our Association represents virtually every sugarbeet grower in the United States (14,000 in 14 states). It is an honor to present our views to you and to this distinguished panel.

Mr. Secretary, it would take a considerable number of hours to discuss all the complexities of sugar, along with all of its economic, political, social, and strategic relationships here at home and abroad. There will be opportunities to discuss these issues before the proper committees and subcommittees of Congress in the months ahead. There are, however, a few significant points that can and should be made at this time to this particular panel.

Since 1981 we have seen several major changes in farm programs. It seems like a never-ending circle of survival measures to rescue agriculture. Solving agricultural problems is seldom popular and never easy. Significant program adjustments have been justified when the economic and market environment changes occur as they have.

But what about sugar? The sugar program has been untouched by the Congress since its pasage in 1981. Though some unwarranted and frivolous attempts to tamper with the program were made in the U.S. Senate, those attempts were recognized as unrealistic and either tabled or rejected outright by a 2/3 majority of the senators. The sugar program was designed to give the President and the USDA the flexibility they needed to effectively administer the program.

Every time market or supply-demand conditions coange, we are not required to trudge through the congressional process to make the proper program adjustments. Mr. Secretary, the actions of your Department toward the sugar program have shown its evenhandedness to both producers and consumers.

The goals of the program are to:

1. Make sure that consumers have an assured supply.

2. Stabilize prices for consumers and producers.

3. Encourage efficient production by producers.

4. Avoid expense to the government.

The sucrose needs of consumers in this country are supplied by three basic sources. The first is sugarbeets (33%), the second, sugarcane (34%), and the third, imported foreign sugar (33%). Under the current sugar program, as under future sugar programs, we do not expect an expansion of the domestic beet industry.

Our program is a simple loan program. It has worked effectively at no cost to the taxpayer. Based on the Consumer Price Index, the retail price for sugar has actually been lower during the program period. Under the program there have been:

No CCC Outlays

No Accumulated Surpluses

No Deficiency Payments

No Payment-In-Kind

No Farmer-Owned Reserves

No Acreage Diversion

If the grower does not produce at least better than an average size and quality crop, he's not going to break even. It's that simple. In fact, in 1982--the first full year of the loan program--two (Chandler, Arizona and Spreckles, California) of the existing 43 beet factories closed their doors and are not expected to reopen. I believe that alone is proof that the program does not create any artificial incentives for the producer.

Sugar is an important and essential alternative crop for those of us in areas that have very few alternatives. Mr. Secretary, if we have more alternative crops like sugar, it would help ease the pressure on our basic exporting commodities. Every acre and every bushel not in the production of a surplus commodity is a step toward solving our problems.

Without sugarbeets in our areas, the small towns and agribusiness that supply our industry would be in serious jeopardy. I will conclude with a quote by one of our grower directors which spells out our feelings toward the program--"If it isn't broke, don't fix it."

Thank you.

R. R. 1, Box 20
Chaseley, ND 58423
July 31, 1984

Senator Mark Andrews
417 Russell Building
Washington, DC 20510

Dear Senator Andrews:

I am writing in regard to the letter I received from you about some in-put about the 1985 Farm Bill.

I have visited with other area farmers and my observations are that it should consist of:

1. That all the permitted acres should be combined and still have ACR acres at 30%.
2. All target prices should not be lowered more than 5%.
3. Deficiency payments should be paid on the farmer's base acres instead of the permitted acres. This way farmers would be more diversified.
4. There should not be any pik acres. That money should be used to subsidize our commodities to get back into world trade.

Sincerely,

Warren Hart

NORTH DAKOTA CHAPTER OF
FARM MANAGERS AND APPRAISERS
July 27, 1984

Honorable Mark Andrews
Russell Senate Office Building
Washington, DC 20510

Dear Seantor Andrews:

The North Dakota Chapter of Farm Managers and Rural Appraisers appreciate the opportunity to offer to the Senate Agriculture Committee the following concerns about the state of the farm economy:

1. Of highest importance are high interest rates which affet farms directly as well as indirectly. Farm investment decisions are more complicated because of variable rate

loans which cause increased uncertainty on the part of the farmers.

2. Farm policy should be aimed at expanded farm export markets.

3. We encourage a long range farm program that treats causes, not symptoms. This would lend stability to the farm economy.

4. Too much land has been broken up that should not have been. Part of the reason has been a decline in returns to the beef enterprise and farmers getting out of livestock. The new farm program needs to address the issue of soil conservation and putting these marginal acres back to grass.

5. The Federal All-Risk crop Insurance Program is good, but there is inconsistency in handling losses. Consistent and fair adjustments are needed and would do much to increase participation in the program.

6. If there is a paid diversion provision in the 1985 farm bill, a 15% paid diversion payment would do more to increase participation and to enhance farm income than the present 10% payment.

We hope that some of our members will be able to attend one or more of the hearings which are to be held in North Dakota during the week of August 20-25. We have tried to be brief in this statement, yet touch on some of the more important ecomomic concerns of the farm economy of the farm economy as we hear them from our farm customers.

Sincerely,

Tommy Reff, Secretary